FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,533 Monday May 9 1988 D 8523 A

Europe: Workers prepare for 1992, Page 4

World News

Martens returns to power in Belgium

Belgium's 150-day political crisis finally ended last night when a deal was reached between five centre-left parties on the share-out of portfolios in the new Cabinet.

The move cleared the way for Mr Wilfried Martens to lead his eighth coalition Government in nine years, with public spending, tax reform and devolution the main policy priorities outlined in the new programme. Tough economic policies, Page 2

Manila aid

The Reagan Administration is trying to put together a multi-billion dollar package of financial aid for the Philippines, the bulk of which would be provided by the governments of Japan, Korea and West Germany and by commercial banks. Page 16

Gdansk ultimatum

Talks at Poland's strike-bound Gdansk Lenin shipyard ended in an acrimonious ultimatum last night as management withdrew a previous pay offer and told strikers to leave the yard or face prosecution. Page 16

Beirut truce fails

Renewed battles between Shi'ite Moslem militiamen for control of Beirut's southern suburbs shattered an Iranian-sponsored truce. Page 3

Surprise visit

Israel's Foreign Minister Shimon Peres arrived for a visit to Hungary, the first such trip by an Israeli leader since Budapest severed ties with Israel in the 1967 Middle East War. Page 3

Punjab killings

Security precautions were tightened across north India after more than 30 people were killed in Sikh extremist attacks in the states of Punjab and Haryana. Page 3

Spain drug haul

The Basque region governor said that Spanish police had dealt the biggest blow ever to European drug traffickers with the seizure of a record 1,000kg of cocaine.

Sarney faces row

Two potentially dangerous confrontations between President Jose Sarney and Brazil's legislature and judiciary look set to reach a climax, amid mounting political tension and industrial unrest. Page 2

Denmark poll

Denmark's Prime Minister Poul Schlueter's minority coalition Government should gain ground in tomorrow's general election, according to an opinion poll in the Jyllands Posten newspaper. Page 2

Karachi race riots

The death toll in ethnic riots in Karachi, Pakistan, rose to 30 after 13 people were killed and 55 injured in renewed clashes between rival ethnic groups. Page 3

Peking visit

Irish President Patrick Hillery arrived in Peking, the first Irish head of state to visit China since the two countries established diplomatic relations in 1979.

Rotten losses

Losses of potatoes and other vegetables which rot before they reach the shops cost the Soviet Union at least Rs1bn a year, an economist has claimed. Page 2

Palestinians get life

Two Israeli Arabs were sentenced to life imprisonment after pleading guilty to launching a hand-grenade attack on an Israeli civilian bus last June and being members of the Popular Front for the Liberation of Palestine.

Hard cheese

Cheddar cheese prices are likely to to rise by at least 5 per cent because EEC curbs on milk output have caused stocks to fall.

Business Summary

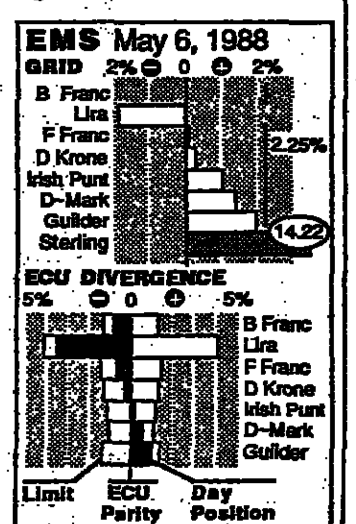
Sears sells UK chain of stores for £74m

SEARS, UK stores, betting and footwear group, has sold Lewis's, the department store chain, for about £74m ($133m) cash as part of its strategy of concentrating on speciality retailing. Sears also said that it was selling the US Butler footwear chain to its management for about $50m. Page 16

UK GOVERNMENT may reconsider its policy of blocking imports of Norwegian natural gas, which followed its veto three years ago of a $30bn contract for British Gas to buy the Sleipner field from Norway. Page 5

EUROPEAN Monetary System: Uncertainty about the French presidential election undermined the French franc last week. It replaced the Belgian franc as the weakest member of the system but remained within its divergence limit.

Investors switched funds into the D-Mark, which was pushed to its best level for two months against the franc. The lira suffered from the D-Mark's firmer trend, prompting the Bank of Italy to support it after the D-Mark was fixed at a record high in Milan.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

HENKEL of West Germany and Colgate-Palmolive of the US are expected to announce that they are abandoning their planned joint venture to make detergents in France. Page 17

HONG KONG today raises its interest rates in response to steady pressure on rates in the US. The prime lending rate will be lifted by a full percentage point to 7.5 per cent. Page 4

CITICORP, the US bank, has sold its home institutional investment management business to leading US insurer USF&F for $102m (£54.8m). Page 18

INSTITUT MERIEUX, a biotech subsidiary of France's Rhône Poulenc, is widely expected to come back with a modified bid for CDC Life Sciences, a Canadian publicly held company specialising in the manufacture of insulin. Page 18

TRANS WORLD AIRLINES, is poised to be taken under complete control by Mr Carl Icahn, New York takeover specialist. Page 18

UK MERGERS and acquisitions in the first quarter were worth £6.09bn, the second highest quarterly figure on record. Page 8

BRITISH ECONOMIC GROWTH will slow by 1990 and recent gains in sterling's value will be reversed, according to four groups of economists. Page 8

TOKYO STOCKS fell for a second successive day during Saturday's half-day session. The Nikkei index lost 46.62 to 27,487.71.

JAPANESE BANKS may need $50bn of extra equity to comply with 1992 rules on international capital, a UK credit rating agency calculates. Page 19

EXIT POLLS SUGGEST MAJOR REBUFF BY VOTERS FOR TACTICS OF PRIME MINISTER

Mitterrand regains French presidency in sweeping victory

BY IAN DAVIDSON AND GEORGE GRAHAM IN PARIS

MR FRANCOIS MITTERRAND has won a crushing victory in the French presidential election over his challenger, Prime Minister Jacques Chirac, leader of the neo-Gaullist RPR party, according to first estimates by the public opinion institutes after polls closed.

The verdict, in which Mr Mitterrand is estimated to have secured around 54 per cent of the vote, represents not just a major rebuff for Mr Chirac, but the most serious setback for the French right in the 30-year history of the Fifth Republic.

The main factors contributing to Mr Mitterrand's victory were the divisions within the traditional right-wing parties, between the centre-right and the Gaullists, and the political "earthquake" of the stunning breakthrough of the ultra-right National Front in the first round of voting a fortnight ago, when Mr Jean-Marie Le Pen broke all previous records with 14 per cent.

The extent of Mr Mitterrand's victory, if confirmed in the final figures, would be second only to those of General de Gaulle in 1965 and Mr Georges Pompidou in 1969. It must give Mr Mitterrand considerable freedom of manoeuvre in deciding how to form a new government and in what terms to implement the policies he outlined during the campaign.

Mitterrand receives enthusiastic congratulations last night from a supporter at Château Chinon, his local constituency

Mr Mitterrand has repeatedly indicated, however, that he did not intend to revert to a doctrinaire socialist policy. In particular, he would not reverse the Chirac government's programme of privatisation, nor would he increase income taxes. On the other hand, he has promised to restore a wealth tax (impot sur les grandes fortunes), which would be partly designed to finance the creation of a guaranteed minimum income.

Mr Chirac immediately conceded the victory to Mr Mitterrand, wishing "Good luck to France, and good luck to the French". Mr Pierre Beregovoy, campaign manager for Mr Mitterrand, described the outcome as "a victory for reason and hope".

The major challenge now facing Mr Chirac is whether he can remain in control of the neo-Gaullist RPR party, and carry through the objective of enlarging its hold on the right wing of French politics. His poor score in both rounds of the election may make this a difficult task.

Continued on Page 16

Blow for French right; Danish poll, Page 2; Editorial comment, Page 14

Champagne, canapés and computer projections

By Paul Betts in Paris

MITTERRAND 54 per cent, Chirac 46 per cent flashed the first computer projection in the headquarters of the Ipsos polling organisation rigged up for the occasion in the Meridien Hotel in Paris.

It was only six o'clock and still two hours to go before the official close of polling in the second round of the French presidential elections. Below, in the hotel basement the crowd of about 3,000 guests of TF-1, the leading French television network, were still waiting for the first computer forecasts.

Mr Jean Marc Lech of Ipsos also waited for the results to come in from at least another 30 polling stations on his computers before going down through the hotel kitchens to the basement set up as if for a society wedding party.

It was only 6.30 when he emerged and the "tout Paris" crowd already drinking champagne and eating smoked salmon canapes hushed. The projection had hardly changed: Mitterrand 53.5 per cent, Chirac 46.5 per cent.

There was a roar but also a lot of boos. "I would say 75 per cent of the people invited were in favour of Chirac," Mr Didier Trachot of Ipsos remarked.

"But everybody had expected Mitterrand victory," he added. The night before, in the same basement, TF-1 and Ipsos had invited 300 even more select guests to disclose the findings of their very last opinion poll.

Under French election rules polls are not allowed to be published in the last week of the campaign. The Saturday poll also told the same story: Mitterrand 54 per cent, Chirac 46 per cent.

It was rapidly emerging that

Continued on Page 16

Bonn agrees $1.8bn loan to Moscow

BY DAVID MARSH IN BONN

WEST GERMAN banks will provide the Soviet Union with credits worth up to DM3.5bn ($1.8bn) to help Moscow buy the equipment and know-how to modernise its under-developed food and consumer goods industries.

Agreement on the credits plan – part of efforts by Mr Mikhail Gorbachev, the Soviet leader, to improve the badly strained flow of basic consumer products to his country's citizens – was announced yesterday by Deutsche Bank, West Germany's largest bank.

Industrialists in the Federal Republic believe that Moscow intends to start a programme of consumer goods purchases in the West to dampen complaints among Soviet citizens that basic goods are in poor supply.

The credit deal followed three days of talks in the Federal Republic between West German government officials, bankers and industrialists and a top-level Soviet delegation led by Mr Alexei Antonov, deputy Soviet Prime Minister.

The visit by Mr Antonov came a few days before the next regular gathering of the joint Soviet-West German economic commission, due to start next Wednesday in Moscow. Mr Martin Bangemann, the German Economics Minister, will attend the meeting in Moscow.

The Soviet delegation held talks during its stay in Düsseldorf with 200 West German industrialists and bankers, including representatives of trading, engineering and consulting companies, Deutsche Bank said.

The Soviet Union is said to be looking for a range of manufacturing equipment in West Germany to build up its light industry in consumer sectors, including packaging, storage and transport machinery.

The credit agreement underlines a strengthening of economic links which is accompanying the renewed political thaw between Bonn and Moscow. A range of West German-Soviet industrial projects is being discussed in the run-up to the Kremlin visit this autumn by Mr Helmut Kohl, the West German Chancellor.

West German exports to the Soviet Union fell 16 per cent last year to DM7.8bn and imports dropped 22 per cent to DM7.3bn. The sharp fall in trade in the past two years is mainly because of weaker Soviet finances caused by falling prices for energy products and commodities.

Soviet food prices, Page2

Soviet dissidents launch union to challenge Party

BY QUENTIN PEEL IN MOSCOW

ABOUT 100 political dissidents gathered in Moscow this weekend to launch a new political organisation outside the ranks of the ruling Communist Party and dedicated to the "right to disagree."

Soviet security police allowed the three-day meeting of representatives of informal groups from different parts of the country to go ahead, although several participants were reported to have been detained yesterday.

The event was launched on Saturday in a crowded Moscow apartment, with three buses and about 20 cars full of KGB security police packing the street outside.

The organisers announced their aim of founding a "democratic union" – an organisation which deliberately stops short of calling itself a political party in this one-party state. Nevertheless, the organisation would present a highly sensitive challenge to the political reforms being introduced by Mr Mikhail Gorbachev, the Soviet leader.

A statement read out at the start of the meeting, which it is intended to adopt today as part of a founding charter, stated flatly the intention of the participants to oppose the monopoly of the ruling party:

"We define the contents of our activity as political opposition to the present order. Freedom is the right to be against, and we have been deprived of this right since 1917. The whole source of party autocracy has become the main source of people's troubles during the past 70 years."

Despite repeated attempts to enter the flat while it was going on, the authorities eventually allowed it to take place.

Their hesitant attitude was thought by those attending the meeting to be partly due to the forthcoming summit meeting between Mr Gorbachev and US President Ronald Reagan and partly uncertainty about how far Moscow is prepared to countenance a wider political debate.

SPD win is blow for Kohl coalition

BY DAVID MARSH IN BONN

WEST Germany's dominant Christian Democrat (CDU) party yesterday suffered a devastating setback as the opposition Social Democrats (SPD) recorded a landslide win in state elections in the Right's traditional northern stronghold of Schleswig-Holstein.

The SPD ended 38 years of CDU rule in the weakly-industrialised farming state, winning 54.8 per cent of the votes, according to provisional results last night. This was up 9.6 points compared with the previous inconclusive state poll in September.

The SPD swept to an absolute 18-seat majority in the 74-seat State Parliament. It is a clear personal victory for SPD leader, Mr Bjoern Engholm, who will now be the state's next Prime Minister. A triumphant Mr Engholm said last night the SPD had a good chance of now becoming a genuine "people's party" in the state.

The heavier-than-expected reverse for the CDU, which saw its share of the poll fall to 33.3 per cent from 42.6 per cent in September, will increase the problems confronting Chancellor Helmut Kohl's squabble-torn coalition in Bonn.

It removes the CDU's majority in the country's upper house of parliament, the Bundesrat or federal council, which has a veto over important tax legislation.

This makes Mr Kohl still more reliant on his troublesome conservative partner, the Bavarian Christian Social Union (CSU), to push through parliament increasingly unpopular tax and social policy measures during the next few months.

The blow was compounded by a defeat for the CDU's junior partners in Bonn, the liberal Free Democrats (FDP), who were eclipsed from the State Parliament.

Analysis, Page 2

Continued on Page 16

Dow Chemical in protest over Montedison plan to restructure

BY ALAN FRIEDMAN IN MILAN

DOW CHEMICAL, the US multinational whose purchase of a minority stake in Italy's Montedison chemicals concern has triggered alarm bells at the political and corporate levels, has taken the unprecedented step of protesting to Italian Stock Market regulators about a planned restructuring of Montedison.

The US company has written to Consob, the Italian Stock Market authority, complaining about a lack of information about a share deal that would transfer control of a profitable Montedison financial services subsidiary to Ferruzzi, the agro-industrial group which owns 42 per cent of Montedison.

Meanwhile, in Rome two Cabinet Ministers - Mr Giuliano Amato, the Treasury Minister, and Mr Carlo Fracanzani, Minister of State Industry - spent part of the weekend discussing Dow's intentions with Mr Franco Piga, the Consob chairman.

The Italian Government is monitoring events closely because Montedison, which has declined to comment on the affair in the past few days, is involved in delicate negotations with Enichem, the state chemicals company.

The aim is to rationalise the Italian chemicals sector by creating a new joint company.

Dow is believed to be interested in eventually acquiring important assets from Montedison.

The US group has bought a 4.5 per cent stake in Montedison and owns less than 2 per cent of META, the Montedison insurance and financial services subsidiary that is supposed to be transferred to Ferruzzi.

A meeting of META shareholders has been called for Wednesday to approve the Ferruzzi/META deal.

Mr Frank Popoff, president of Dow, last night said he was "concerned as a minority shareholder in protecting our investment in Montedison."

Mr Popoff, while stressing that "Dow does not have any hostile intentions towards Montedison," none the less said he was not satisfied with the information being provided about the Ferruzzi/META deal.

"The information has been rather skimpy and frankly we don't understand this transaction."

Under the terms of the deal, META shareholders are to be offered stock in an as yet unquoted Ferruzzi holding company in exchange for their META shares.

Montedison shareholders will later be offered an option to buy stock in Ferruzzi.

The Ferruzzi/META deal, which has been organised by Mediobanca, the secretive Milan merchant bank, has been sharply criticised since it was announced in January.

The main criticism is that the deal rides roughshod over the interests of Montedison's 100,000 small shareholders, and strips valuable assets out of Montedison.

Mr Popoff said it had not yet been decided whether Dow would speak at this Wednesday's meeting of META shareholders.

On the question of the Montedison/Enichem talks, he said "the restructuring of Italian industry is best done by the Italians," but added that "certainly we would like to play a role if anybody is interested in our contribution."

He said Dow's first choice would not be a direct role in the new joint company, but he would not rule out the possibility of eventually trading Dow's shares in Montedison for assets "if someone sees that kind of role for us and if that is plausible."

CONTENTS

Fighting erupts in Beirut among Moslem gunmen

FIGHTING between Shi'ite Moslem gunmen for control of Beirut's southern suburbs erupted again yesterday, despite Iranian and Syrian efforts to stop the fighting between their militia allies, Reuter reports from Beirut.

Mortar, rocket and machine-gun fire between the pro-Syrian Amal and Iranian-backed Hizbollah militias engulfed most streets in the area, 15 hours after an Iranian-mediated truce halted two days of battles.

Security sources said Brigadier Ghazi Kanaan, head of Syrian military intelligence in Lebanon, arrived in Beirut as new street battles shattered the ceasefire and sent civilians rushing for cover.

At least 65 people were killed and more than 100 wounded in earlier fighting, police said. Local radio stations reported at least 200 casualties in the war between Lebanon's two biggest Shi'ite Moslem militias.

Both sides launched attacks and counter-attacks. The sources said Hizbollah was reported to be trying to capture Amal positions in the Bourj al-Barajneh area near the road to Beirut International Airport.

Witnesses said Hizbollah fighters, who appeared to hold the upper hand, attacked Amal positions on two fronts, while Amal said it was launching a fresh offensive.

Amal was fighting with multiple truck-mounted rocket launchers to repell the Hizbollah drive on the Mar Mikhail and Ghobeiri districts, security sources said.

Syrian troops, who control the airport road and are deployed around the sprawling southern suburbs, took no part in the battles.

More than 7,000 Syrian soldiers moved into Moslem west Beirut last year to end bitter clashes between Amal and leftist gunmen.

Amal sources said Brig Kanaan held talks with Amal leader Nabih Berri and spoke by telephone to Hizbollah's spiritual leader, Sheikh Mohammed Hussein Fadlallah. Local radio stations said he also held talks at the Iranian Embassy.

The fresh fighting broke a ceasefire imposed earlier on Sunday by a committee grouping Amal, Hizbollah and Syrian officers and led by Iranian Deputy Foreign Minister Hussein Sheikholeslam.

Brig Kanaan contacted Amal leader Nabih Berri three times on Saturday before fighting tapered off to relay Syrian President Hafez Assad's requests for clashes to stop, according to a senior Shi'ite source.

Shells slammed into the suburbs at a rate of one a minute, forcing panic-stricken residents to rush back to their homes after the overnight lull in the suburbs conflict, which first erupted on Friday.

An Amal spokesman accused Hizbollah of starting the fresh battles by firing four artillery shells into an Amal position.

The suburbs, a maze of narrow streets extending over 16 square miles, have been outside government control since 1984 and are the largest stronghold of Lebanon's 1.2m Shi'ites.

Many of the 22 foreigners missing, believed kidnapped, in Lebanon are believed to be held in the low-income area.

Bush claim on Noriega drug dealing challenged

BY STEWART FLEMING IN WASHINGTON

VICE PRESIDENT George Bush's claim that he did not know until this year that General Manuel Noriega, the Panamanian strongman, was deeply involved in drug trafficking were challenged yesterday in a report in the New York Times.

The report said that Mr Bush, who seems certain to be the Republican Party's presidential nominee, was told three years ago of allegations that Gen Noriega was involved in drug smuggling, something Mr Bush has denied.

Noriega: drug charges

The report could prove politically damaging. Governor Michael Dukakis, the Democrat who will probably be his challenger in the presidential election in November, has criticised the Administration, and implicitly Mr Bush, for continuing to support Gen Noriega even though it was aware that he was facilitating the flow of drugs into the United States.

The New York Times report comes at the end of a week which has seen the Vice President put constantly on the defensive in his campaign to succeed Mr Ronald Reagan. He has been plagued by a combination of verbal slips and the difficulty posed by his need both to defend the Reagan record on which his candidacy is founded while at the same time distancing himself from unpopular aspects of Mr Reagan's period in office such as the Iran-contra scandal and an anti-drug policy widely perceived now to have been given too low a priority.

Mr Bush's verbal slips have reminded Republicans of his vulnerability as a campaigner. One of the more amusing came last week when, in describing his relationship with the President he said: "For seven and a half years I have worked alongside him and I am proud to be his partner. We have had triumphs, we have made mistakes, we have had sex . . ." He quickly corrected himself: "setbacks ...we have had setbacks," he said.

His campaign staff are more worried, however, by the problems Mr Bush is having with aspects of Mr Reagan's legacy. Last week two of his aides publicly attacked the Attorney General, Mr Edwin Meese, who is under intense pressure to resign on the grounds that his ethical standards are damaging the public standing and morale of the Justice Department.

The two Bush aides stated publicly that the controversy swirling around Mr Meese, who is a friend of Mr Reagan, is damaging the Vice President politically.

Mr Bush first described the statements as unauthorised but subsequently added that he was "troubled" by the allegations which Republicans fear are giving the Democrats a potentially important issue — the so called "sleaze factor" in the Reagan Administration.

George Graham in Paris tracks the fortunes of the French right since their triumphant unity two years ago

Chirac's defeat raises questions for the centre

MR JACQUES CHIRAC, his Gaullist RPR party, and the right wing have all suffered their worst electoral defeat in the French Fifth Republic's 30-year history.

The two years of Mr Chirac's *cohabitation as prime minister* under the socialist presidency of Mr François Mitterrand have seen the French right plunge from the triumphant unity of March 1986 to a defeat which threatens to turn into a collapse.

The rise of the extreme right, culminating in the 14.4 per cent of votes won by the National Front's Mr Jean-Marie Le Pen in the first round of voting two weeks ago, has raised a question which the "civilised right," represented by Mr Chirac's RPR and the more centrist UDF, has so far been unable to answer.

The shift of Mr Chirac and his closest supporters in the direction of the extreme right has helped to open the centrist members of his coalition up to the overtures of Mr Mitterrand, who seems likely to be able to form a working government, at least temporarily, despite his theoretical lack of a parliamentary majority.

Mr Alain Juppe, campaign spokesman for Mr Chirac, said last night that the RPR-UDF coalition remained united in opposition, as it had been for the past two years in office.

But from the UDF came a clear message that Mr Juppe did not speak for them. Mr Jean Lecanuet, president of the centrist umbrella grouping, ex-President Valery Giscard d'Estaing and Mr Pierre Mehaignerie, who leads the UDF's most centrist wing, the CDS party, all said they would "judge on acts, not words" and indicated that they would not set out to obstruct Mr Mitterrand's government in parliament.

The rift between the two wings of the right has been deepened over the two weeks since the shock of Mr Le Pen's success in the first round of voting, as Mr Chirac and his electoral machine have moved from nods in the direction of the extreme right to outright wooing of its votes.

The voice of Mr Charles Pasqua, the populist interior minister whose hard line on crime and immigration has won him the approval of Mr Le Pen, has been increasingly audible, declaring that, on "essentials," the National Front shares the same values as Mr Chirac's right wing majority.

That of Mr Edouard Balladur, the smooth and technocratic finance minister who converted the RPR to economic liberalism and who has been Mr Chirac's closest counsellor through the two years of cohabitation, has been virtually silent; his plans for a merger between the RPR and the UDF, mapped out before the first round of voting, have been set on one side.

The shift in Mr Chirac's rhetoric in the direction of the National Front, with more emphasis on upholding fatherland and family, and on fighting crime, pornography and immigration, has repelled many in the centre, and made more difficult the task of uniting the right after last night's defeat.

It is not just the UDF which has been worried. Many members of the RPR have also expressed anxiety at the thought of overtures to Mr Le Pen.

On the other hand, several members of the generally centrist UDF had shifted more firmly behind Mr Chirac and Mr Pasqua.

After yesterday's resounding defeat, Mr Chirac no longer appears to be the uncontested standard-bearer of the right, and his position with his own RPR must, for the first time in a decade, be in question. A struggle seems inevitable within the RPR between those, like Mr Pasqua, who feel that it needs to rediscover its populist roots, and those, like Mr Balladur, who believe that it must, above all, remain a "civilised" right wing party.

It is not clear that Mr Chirac is in a position to settle this dispute or to preside over the future of the Gaullists, still less to rebuild the broader right wing coalition that has governed for the last two years.

Workers demonstrate in Italy

By John Wyles in Rome

NEARLY 200,000 trade unionists took to the streets of Rome on Saturday as a vivid backcloth to a new rash of public sector industrial action affecting schools and customs offices, as well as railways and air services into and out of the Italian capital.

Each dispute has its special characteristics but a common thread is *dissatisfaction with* the inability of government and, in some cases, the established trade unions to respond efficiently to sectoral grievances.

The largest demonstration on Saturday was organised by Italy's three union confederations in protest at the failure of successive governments to provide adequate economic growth for the poor Mezzogiorno region.

Workers gathered in Rome at the sunlit Piazza San Giovanni to hear trade union leaders complain of promises broken, spending targets missed and unemployment rates being static or falling well below 10 per cent in the north and centre of the country, while climbing to about 20 per cent in the south.

At a rival demonstration nearby were about 70,000 teachers who have broken away from the existing union to demand better pay scales and fundamental reform of the educational system, alleging years of governmental neglect.

Negotiations on a new pay deal for more than 1m teachers are due to resume tomorrow in some disorder. The three confederations will be present, but one autonomous union representing about 180,000 teachers has been barred from the meeting because its members are refusing to carry out regular assessment of childrens' work.

On Wednesday, the Government will have parallel discussions with GILDA, the more moderate wing of the rank-and-file breakaway teachers. In the background lies the threat from all teachers' groups to boycott the end-of-year examinations which *determine Italian pupils'* futures.

Elsewhere, long queues of lorries have been building up at customs posts on the Italian-Swiss border because of a work-to-rule and overtime ban by officials demanding an end to parliamentary delays of a reform of customs service structures and procedures.

Rail services in many parts of the country are being disrupted today by strikes by train drivers dissatisfied with the new framework agreement on pay and working conditions.

Flights into and out of Rome's Fiumicino airport will be hit again on Friday by a strike by airport workers who have rejected a national pay deal negotiated by their unions.

SPD dislodge Christian Democrats after 38 years

By David Marsh in Bonn

MR BJORN ENGHOLM, Prime *Minister-designate* in the north German state of Schleswig Holstein after yesterday's crushing Social Democrat (SPD) victory, could have been excused for indulging in a minor victory dance when he went before the TV cameras last night.

Catapulted to triumph with a share of the vote of nearly 55 per cent, Mr Engholm dislodged the Christian Democrats from 38 years in power with one of the largest electoral swings ever seen in West German politics. In fact, Mr Engholm spoke soberly of the "tasks ahead", praised the *decency of the CDU candidate* – and promised action to show people at home and abroad that Schleswig Holstein was "quite different" from the image of scandal served up in recent months.

Mr Engholm's low-key triumph says something about the man and something about the state of affairs that he inherits.

The smoothly handsome 48 year old, fighting his third state poll as SPD leader, had a spell in Bonn as Education Minister under the government of Mr Helmut Schmidt. Mr Engholm has the well-brushed look of a merchant banker but came into politics the hard way, after leaving school early and starting an apprenticeship as a compositor.

With an engaging mix of intellectual sharpness and personal affability, he is articulate and avoids clichés. Although displaying a sense of humour which can even sometimes be trained on the SPD itself, Mr Engholm has a fondness for the serious issues. There are plenty of these in Schleswig Holstein.

Mr Engholm will enter office with a built-in advantage. He represents a new start from the late Mr Uwe Barschel, his disgraced Christian Democrat predecessor who committed suicide in October. This was after discovery of a ridiculously futile "dirty tricks" plot by Mr Barschel against Mr Engholm in the last state poll in September.

But Mr Engholm is the first to realise that the glow could soon fade unless he can turn in practical results. He has a team of 10 new ministers (including four women) ready and waiting, but will also need time to change top political appointees in the state's civil service.

One of his most intriguing appointments will be that of Mr Günter Gauss, the ex-Spiegel journalist who was Bonn's envoy to East Berlin during the SPD governments between 1974 and 1981. Mr Gauss, who lives near Hamburg, will take on an honorary post advising Mr Engholm on building up trade and cultural links with eastern Europe and Scandinavia – an area which Mr Engholm says has been badly neglected by past CDU governments in the state.

Mr Engholm says the income tax cuts planned for 1990 by Mr Gerhard Stoltenberg, the Bonn Finance Minister, which will lead to a sharp fall in revenues of the state or Länder governments, will accentuate the North-South gap. They will hurt Schleswig Holstein, proportionately, much more than Baden Wuerttemberg or Bavaria. He told election rallies last week that the tax cuts, stripping DM650m from the state's income in 1990, spelled "death" for some parts of the state relying on public financing for infrastructure.

After yesterday's victory, the SPD will now have 18 votes in the Bundesrat, the Land-elected Upper House in Bonn which has a veto over tax legislation. This is the same as the CDU, leaving a potential casting vote in the hands of Mr Franz Josef Strauss's Bavarian Christian Social Union with five votes.

Climax near for Sarney clashes

BY IVO DAWNAY IN RIO DE JANEIRO

TWO POTENTIALLY dangerous confrontations between President Jose Sarney and Brazil's legislature and judiciary look set to come to a climax this week against a background of mounting political tension and industrial unrest.

In Congress, a two-month-old senate inquiry into corruption plans to call key advisers to the President, and possibly even Mr Sarney himself, to give evidence, despite fierce resistance from the Planalto Palace.

At the same time, Mr Mailson da Nobrega, the Finance Minister, is preparing to appeal to the Supreme Court to revoke judgments by labour tribunals last week that granted several public sector pay rises in defiance of a government wage freeze.

The clashes come as the Administration is putting the finishing touches to a revised budget, aimed at cutting the public sector deficit to 4 per cent of gross domestic product. An International Monetary Fund team is due in Brazil this week to evaluate the programme.

The atmosphere of tension was fuelled last Friday by a new attack by Mr Sarney on what he claimed was a minority in Congress who "use guerrilla politics and moral terrorism" to destabilise his executive authority.

Speaking in his weekly radio address to the nation, the President emphasised the fragility of governments in the face of "low political practices and economic problems". And he went on to warn that democracy could only survive free from the pressure of ultra-radicals in search of confrontation.

"If one power decides to confront another, it is clear that legality is destroyed," he said.

Mr Sarney's warning has been backed by General Leonidas Pires Goncalves, the Army Minister, and Mr Roberto Marinho, owner of the powerful Globo media network, who last week personally used the front page of his Rio de Janeiro newspaper to attack the corruption inquiry for destabilising the country.

Critics of the Government, however, say that the Sarney Administration and its allies are themselves threatening democracy by menacing the work of a legitimate senate committee.

Mr Sarney's implicit claim that the committee is composed of radicals is hard to substantiate. Its rapporteur is Senator Carlos Alberto Chiarelli, a respected member of the right-wing Liberal Front party.

Mr da Nobrega has meanwhile warned that if the Supreme Court upholds the labour tribunals' decisions to approve pay rises for several state companies, despite the public sector pay freeze, he will have no alternative to dismissing large numbers of government workers.

Rising cost of potatoes unsettles Soviet reforms

BY QUENTIN PEEL IN MOSCOW

LOSSES of potatoes and other vegetables which rot before they reach the shops cost the Soviet Union at least Roubles 1bn ($900m) a year, an economist claimed at the weekend, as the ruling Politburo ordered a countrywide investigation into the chronic failings of the food distribution system.

The allegation was made on the front page of the trade union newspaper Trud, in an article on the reasons why potato prices are soaring at a time when potato production is supposed to be booming.

It was published the day after the Politburo discussed the problem of food supply throughout the USSR. It concluded that the situation in some regions was "not permissible," according to the state news agency, Tass.

The potato squeeze comes on top of an increasingly acute shortage of sugar, precipitated largely by illicit vodka distillation, which has caused panic buying in the capital.

The government newspaper Izvestia described the sugar situation as worse than at any time since the late 1940s, and speculated on the need for rationing or a sharp price rise to discourage hoarding.

Continuing food shortages are regarded by many observers as a real threat to the success of Mr Mikhail Gorbachev's attempts at economic and political reform.

As a result the Politburo has ordered every party, local government and economic agency to "consider the abilities of every district, city, region and republic, and map out and effect measures to improve the population's supply with all kinds of foodstuffs."

Tough economic policies are likely to continue under Martens, Tim Dickson reports

Encouraging signs for Belgium's coalition

LISTEN to local commentators, read the local press, and you will quickly conclude that Mr Wilfried Martens's eighth coalition Government is doomed before it has begun.

Almost five frustrating months of shuttling between party leaders and the Royal Palace have no more than papered over the personality clashes, policy differences and bitter linguistic squabbles which seem always to threaten Belgium's political stability. Even over the weekend there was fresh uncertainty as *the prime minister-designate* struggled unexpectedly to complete his ministerial team.

Amid the prevailing gloom, however, are some encouraging signs that are all too easily overlooked.

The very formation of a five-party coalition – taking in competing economic philosophies as *well as more diametrically* opposed linguistic and cultural traditions – is no mean achievement in itself. The surprise return of Mr Martens – the dominant figure in Belgian politics for the last decade and still only *in his early 50s – offers the best* hope that the new centre-left coalition will last.

Although at times vague and inconsistent, the programme now agreed among the parties broadly promises a continuation of the tough economic policies which have improved Belgium's international standing in the last few years, *as well as a serious effort* to speed up the devolution and hence to tackle at source the country's sapping rivalries between speakers of Flemish and speakers of French.

According to Mr Luc van Heden, an economist at Belgium's second largest bank, Kredietbank, the agreement on public finances among the two middle-of-the-road Christian Democrat parties (the CVP and the PSC), the two Socialist parties (the SP and the PS) and the Flemish Volksunie "is stronger than the former deal between the centre-right parties in 1985, but the question is whether they can stick to it."

Under the new accord, the Gov*ernment is committed* to a budget deficit of 7 per cent of gross national product for 1989, compared with 8 per cent at the moment, plus the longer-term elimination of the "snowball effect" which has forced Belgium to borrow in recent years simply to pay the interest on its existing debt.

After 1989, the nominal deficit must not exceed that of the previous year while expenditure, excluding interest payments on the national debt, must be kept within the bounds of inflation.

These conditions proved to be *tough medicine for the Socialist* partners to swallow – the French- speaking PS has consis*tently* emphasised its campaign slogan "the return of the heart" in any interpretation of economic policy objectives – and nobody denies that negotiations in July on the 1989 budget will put the Government's promises to the *test*. There is also a *strong* suspicion that the 1988 budget deficit will turn out much wider than planned.

Tax reform is another economic issue which figures prominently in the new programme, with the most eye-catching and important item a proposal to reduce the top marginal rate of personal tax from 70 to 55 per cent and the number of tax bands to "only" seven. At the moment the highest marginal rates in Belgium are more than 80 per cent if local taxes are taken into account – and more if social security charges are added.

Tax reform was high on the agenda of the previous Government's Budget Minister, Mr Guy Verhofstadt, but he also found *that the room for manoeuvre was* limited when the overriding objective was cutting the budget.

The surprise return of Mr Martens offers the best hope that the new centre-left coalition will last

The Martens VIII blueprint states categorically that any tax cuts will have to be financed by tax increases elsewhere and explains that Belgium's relatively low excise duties on cigarettes and alcohol will be harmonised (raised) in line with *the objectives* of the European Commission, and that the rest will be found from the ending of certain tax deductions for companies and individuals.

The part of the new government programme which deals with "the reform of the state" is at once the most politically sensitive and technically complex challenge facing Mr Martens – therein lay many of the arguments of the last few months – but it is also the most crucial *for the country's long-term happiness* and prosperity.

The seeds of today's conflict between *Flemish-speaking* Flanders in the north and French-speaking Wallonia to the south go back well beyond the formation of Belgium in 1830, at least to the days of the Roman Empire, but the rivalry between the two intensified in the 1960s and 1970s.

Contrary to the impression given by the media's obsession *with Voeren or Les Fourons* – the Flemish commune made famous by a Francophone mayor who has refused to learn Dutch – the present divisions are as much social and economic as they are linguistic and cultural. The gradual shift in economic and political power from Wallonia to Flanders over the last 30 years more than anything else lies *at the root* of the growing pressures for regional autonomy.

The last, *somewhat* piecemeal, constitutional reform was piloted through by Mr Martens in 1980, when certain powers were devolved to new regional authorities and the existing powers of provinces and communes were *confirmed, but most of the* responsibility for decision-making (notably revenue raising and distribution) was left with the central Government in Brussels.

Although many questions of detail and timing remain unanswered, the new Government's programme provides for a continuation of this process of devolution both *through the transfer of* further competences – responsibility for education to the communities, for example, and public investment to the regions – and through the *establishment of* a system whereby these regional institutions will after 10 years be *able to collect and spend their* own tax revenues.

Another change foreshadowed by the agreement, and a significant step down the road to federalism, is that for the first time Brussels will have an elected regional council, with an executive responsible to it, and will therefore be on an equal footing with Flanders and Wallonia.

Devolution for Brussels, where they are in a comfortable numerical majority, has long been a key objective for the Francophone parties and was obviously considered a good enough prize by Mr Guy Spitaels, president of the PS, and Mr Gerard Deprez, president of the PSC, for the concessions they had to make over Voeren and the six mixed-language communes on the edge of Brussels.

Notwithstanding the *complex* and distinctly opaque compromise – Voeren remains Flemish but changes in the electoral and disputes procedure have been agreed – the commune could prove as much an Achilles heel for this Government as it did for the last.

As one local newspaper put it, *the far from enthusiastic* endorsement of the Government's programme by the French-speaking Socialist party's congress – less than 60 per cent in favour and a vocal 37 per cent against – "the new team is already limping on its Francophone leg".

Canada MPs seek action against French

BY DAVID OWEN IN TORONTO

CANADIAN OPPOSITION MPs have called on the Government to eliminate the French Amethyste-class vessel from a contract battle to supply the Canadian navy with up to 12 nuclear-powered submarines and to prevent Air Canada from considering buying Airbus airliners.

Their action is in retaliation *for the arrest of a Canadian* trawler caught fishing in French waters off the islands of St Pierre-Miquelon. The arrest was widely linked to the approach of yesterday's French presidential election.

The incident is the latest in a long-festering dispute between the two nations over fish quotas and territorial limits. Last month, a French-owned trawler carrying prominent St Pierre politicians was arrested and charged with illegal fishing off the coast *of Newfoundland*.

Despite last week's opposition demands, the only retaliatory step so far taken by Canada is to suspend talks aimed at selecting a mediator to help fix interim fish quotas while negotiations about geographical boundaries proceed.

Just what the Canadian trawler, the Maritimer, was hoping to catch, when a dearth of fish has prompted the virtual closure of the two island processing plants, remains a matter for conjecture. When arrested, the 65-ft vessel had just 400kg of fish on board.

Mr Albert Pen, Mayor *of* St Pierre, believes that drink rather than fish was the boat's intended quarry. "The Maritimer was going to Miquelon to look for alcohol while pretending to fish."

While the liquor trade was a much more important component of the island economy during the Prohibition era of the 1920s and 1930s, some smuggling continues, motivated by the comparatively low cost of alcohol and tobacco on St Pierre.

Mr Willoughby Bolt, captain of *the Maritimer, has agreed to* appear in court in St Pierre.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Israel court to rule on status of Palestinians

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI High Court was asked yesterday to issue a historic ruling on the legal status of the 135,000 Palestinian residents of East Jerusalem, annexed by Israel in 1967 and declared part of the "reunified, eternal capital" of the Jewish state.

The petition arises out of the decision by Mr Mubarak Awad, a Jerusalem-born US citizen, to appeal against a deportation order issued by Prime Minister Yitzhak Shamir on Thursday.

No previous orders have been overturned by the High Court, but the basis of this appeal raises legal questions of far-reaching significance.

An advocate of non-violent resistance to the Israeli occupation of the West Bank and Gaza Strip, Mr Awad is accused by the Government of being a prime instigator of the unrest. His expulsion could pave the way for similar action against other moderate Palestinian spokesmen, as Israel exerts new efforts to end the five-month-old uprising.

Mr Awad, who is being held in Jerusalem's main police headquarters, was yesterday on the third day of a hunger strike, refusing both food and water. As punishment, his blanket and mattress were removed from his stone cell.

Since his arrest on Thursday night, the US administration has delivered a series of public and private protests to the Israeli Government, calling for him to be put on trial rather than be deported. This was rejected by the prime minister's office.

In its first response to legal moves in connection with the Awad case, the High Court yesterday allowed a temporary stay of execution of the deportation.

If Mr Awad had decided against an appeal, he would have been deported last night. Radical Palestinians are believed to have put pressure on Mr Awad not to challenge Mr Shamir's order, on the grounds that this would legitimise the Israeli judicial system. None of the 20 other Palestinians – all from the West Bank or Gaza Strip – deported this year went through with appeals.

In a statement read to a news conference yesterday by his American wife, Nancy, Mr Awad said he would use all avenues to seek recognition of his right as a Jerusalemite to stay in his homeland.

His Israeli lawyer, Mr Avraham Gal, said the petition submitted to the High Court raised for the first time the question of the precise legal status of those residents of East Jerusalem on whom Israeli law was imposed in June 1967. The technical basis of the Israeli Government's case against Mr Awad is that he is a US citizen who has overstayed his visa.

Peres for secret Mideast talks with Soviet officials

BY ANDREW WHITLEY

ISRAEL's Foreign Minister, Mr Shimon Peres, left unexpectedly for Switzerland yesterday for what was widely reported to be a secret meeting with senior Soviet officials on the Middle East peace process.

Fighting to save the badly faltering initiative of Mr George Shultz, US Secretary of State, he is believed to be trying to persuade the Soviet Union to soften its insistence on a fully fledged international conference with the authority to intervene in bilateral negotiations.

According to a senior Israeli official, Moscow has offered to restore diplomatic relations with Israel, – broken off in 1967 – during the preparations for such a conference.

This is a far cry from the long-standing Soviet insistence that relations would only be renewed after a total Israeli withdrawal from all the territory it captured in 1967, but difficulties appear to have arisen lately in the rapprochement between the two countries.

The clearest example of this is the Soviet stalling on the issuing of visas to an Israeli official delegation. A team was due to have gone from Jerusalem to Moscow in February, following a Soviet invitation treated by Israel as reciprocation for a Soviet delegation which has been in Israel for the past nine months.

However, the visas have been held up on the grounds that the Israelis intended to broaden the scope of their activities beyond purely consular matters.

Mr Peres will also have a meeting this week with middle-level Soviet officials attending the Madrid conference of the Socialist International, following a precedent set in Rome last year.

The aim of the talks will apparently be to try to remove obstacles in the way of Mr Shultz, who is expected to return to the Middle East on another shuttle mission in early July.

Extremist violence spills into state of Haryana

BY JOHN ELLIOTT IN NEW DELHI

SECURITY PRECAUTIONS were tightened across north India last night, after more than 30 people were killed in a spate of Sikh extremist attacks in the states of Punjab and Haryana on Saturday night.

About 1,000 people have now been killed so far this year – compared with 1,200 in the whole of last year – as a result of violence by Sikh extremists and counter-attacks by security forces. The extremists are fighting for an independent state, which they call Khalistan, and they have stepped up the violence in an attempt to upset a peace initiative launched two months ago by Mr Rajiv Gandhi, Indian Prime Minister.

Killings have been taking place at an average of about 12 a day in the past six weeks. But Saturday night's attacks caused the Government increased concern because they extended across the border from Punjab into the neighbouring Hindu state of Haryana where gunmen fired on two wedding parties of tribal nomads, killing 13 people.

Fearing the risk of more terrorist attacks outside Punjab and a possible violent backlash from India's majority Hindu community, the Government last night declared a red alert in the northern states and the capital of Delhi. Regional police chiefs are meeting today to plan stronger security precautions.

Tension has also increased in the Golden Temple in the Punjab city of Amritsar, the headquarters of the extremist groups. Extremists have erected brick and other barricades around the temple, which was attacked by the Indian army in 1984. There have been recent outbreaks of shooting, and security chiefs fear that a serious battle could develop.

The Government has instructed the security forces not to go into the temple area for fear of further upsetting Mr Gandhi's peace initiative. Two months ago Mr Gandhi released from jail Mr Jasbir Singh Rode, a leading high priest, along with other militants. He hopes Mr Rode will persuade the less extreme militant groups to drop their Khalistan call and do a deal with the Government.

Mr Rode has only won support from a small segment of the extremist groups, but he said in a recent BBC interview that he did "not want that the country of India should be broken into pieces." This reinforces his previous statements, which have indicated that he is opposed to the call for an independent Khalistan, and it also shows that he is still trying to push ahead with the Government's peace initiative despite violent resistance from the most extreme groups.

Thirteen die as Karachi ethnic rioting continues

BY MOHAMMED AFTAB IN ISLAMABAD

THE death toll in ethnic riots in Karachi, Pakistan's biggest industrial and business centre, rose to 30 on Sunday, after 13 people had been killed and 55 injured in further clashes.

The 13 died early on Sunday, as rival ethnic groups carried out sniper attacks with automatic weapons and set fire to houses and shops in the Khawaja Ajmer Nagar residential district. Four of the dead were policemen.

The rioting had continued throughout Saturday, forcing the police to intervene. It started 10 days ago after a traffic accident in which a Mohajir was killed by a Pathan bus driver.

Mohajirs, who speak Urdu, migrated from India to Pakistan in 1947 when the country won its independence from Britain. The Pathans come from Pakistan's northwestern region.

The two groups, both Moslem, have been fighting since late 1986 over jobs, scarce housing, and ownership of Karachi's sprawling slums. Mohajirs also accuse Pathans of indulging in trafficking in narcotics and illegal weapons, besides smuggling heroin to Europe and the US.

Few in Jordan think Mr Shultz's mission has a chance of success, writes **Andrew Gowers**

Hussein struggles to keep up peace hopes

MR GEORGE SHULTZ, the US Secretary of State, still likes to entertain – in public at any rate – the notion that he stands at least an outside chance of making progress in his next peace mission to the Middle East in early June.

But in Amman, as Jordan's King Hussein made abundantly clear on Saturday night, there are precious few illusions of the kind. If the Jordanian Government was sceptical when Mr Shultz embarked on his dogged diplomacy in February, it is now in a state of almost unrelieved gloom.

Ministers see absolutely no chance of a breakthrough this year. Indeed, they argue that the Shultz mission has had the paradoxical effect of strengthening the Israeli right in its refusal to countenance an international conference on the Arab-Israeli conflict or a deal exchanging territory for peace. Even the King is finding it increasingly difficult to maintain his hopeful facade about the "peace process."

"There is nothing that has not been tried," King Hussein, looking tired and drawn, told a gathering of Western reporters summoned for dinner at the weekend. "The lack of success so far suggests that the obstacles are too great, too numerous. And unless we see a change in Israel, which would be helped by a position the US could take on the foundations for peace, things may remain the way they are. But the situation cannot remain static. Things are getting worse by the day."

The one straw of hope he brandished was the prospect that consultations between the US and the Soviet Union on regional conflicts, culminating in this month's superpower conference in Moscow, might create a more constructive atmosphere. But this is tenuous at best.

In reality, the last few months have been some of the most difficult for the King in the 14 years since the Arab world dealt him a grievous political blow by endorsing the Palestine Liberation Organisation as "sole legitimate representative" of the Palestinian people.

He has seen the five-month-old uprising in the Israeli-occupied West Bank and Gaza Strip shatter the policy of quiet accommodation with the status quo which he has been pursuing since 1986, and revive old tensions between Palestinians and East Bank Jordanians within his own country.

He has been coming under heavy pressure from the US to agree to attend an international conference which he sees little more than a "photo-opportunity" rather than a forum for binding negotiations.

He has watched Mr Yitzhak Shamir, the Israeli Prime Minister, comprehensively snub Mr Shultz and be rewarded for his pains with the signing of a five-year memorandum of understanding institutionalising the unprecedented closeness of US-Israeli ties.

Hussein: obstacles too great

Now, to cap it all, he is having to witness disturbing signs of the growth of a new radical Arab axis in support of the uprising, with Mr Yassir Arafat, the PLO chairman, beginning to mend fences with President Hafez al-Assad of Syria, and the radical states laying plans for a special Arab summit on the situation in the occupied territories in Algiers next month.

Though the King was too polite to say so at the weekend, both these moves fill him with the utmost concern. Together, they raise the spectre of a group of men essentially hostile to everything he has stood for in recent years vying to champion publicly the emotive cause of the Palestinian youths throwing stones at Israeli troops in the West Bank and Gaza.

About the prospects for reconciliation between Syria and the PLO, King Hussein would say only that it was a constructive development which was "still at an early stage." He did, however, note in a speech last week that the PLO had approached another Arab state with a view to forming a joint delegation for any future peace conference, a move which would further enhance what many diplomats and Jordanian intellectuals see as a tendency for Jordan to become marginalised over the Palestinian issue.

As to the proposed Algiers summit, which the King is to discuss with the Algerian Foreign Minister in the next few days, the King said Jordan never opposed such meetings. But officials made clear that they did not see any call for a single-issue summit on the Palestinian uprising in the coming weeks.

The King also raised a formidable but convenient obstacle to the convening of the meeting by proposing that Egypt, ostracised by many Arab states until last year as a result of its Camp David accords with Israel, should attend.

Faced with a series of moves which can only make Jordan feel more isolated in its moderation, King Hussein's instinctive response has been to stiffen his own language. In a series of speeches at Ramadan breakfasts (Iftars) all over Jordan in recent weeks he has been stressing his determination never to cede an inch of Arab land in negotiation.

More significantly, he has been emphasising the separate role of the PLO in the peace process to an extent without precedent in recent years. The PLO would have to participate in any peace conference "to the fullest possible extent", he told journalists on Saturday. And in a memorandum he passed to Mr Shultz when the latter was last in Jordan, he reiterated a series of maximalist demands, including PLO involvement, together with a list of basic questions concerning Palestinian rights and the conference, to which he wants replies when the US Secretary returns.

King Hussein, of course, knows that none of this is remotely likely to prove successful either to the US or to Israel. But that is no longer the point. In the absence of genuine progress, he has retreated back to the safety of Arab orthodoxy – stances which had never formally abandoned by Jordan but which had become blurred as the King sought to keep all his options open. One by one, those options are being closed by the Palestinian uprising, and Mr Shultz's mission looks like being the first casualty.

Algerians to host June Arab summit

A SPECIAL Arab summit devoted mainly to the five-month-long Palestinian uprising in Israeli-occupied territories will open in Algiers on June 7, Reuter reports from Algiers.

Algeria and the Palestine Liberation Organisation (PLO) have been pressing since March for a summit on the uprising in the West Bank and Gaza Strip where at least 177 Palestinians and two Israelis have been killed since last December.

Arab foreign ministers meeting in Tunis a month ago recommended a summit be held as soon as possible, but it was postponed until after the Moslem fasting month of Ramadan which ends on May 17.

A June 7 summit would coincide with a fourth visit to the Middle East by Mr George Shultz, US Secretary of State, who will be making a new attempt to arrange Israeli-Arab peace talks. Mr Shultz is due in the area from June 3 to June 8 after attending the US-Soviet summit in Moscow.

Mr Shultz launched his Middle East peace mission in February in response to the uprising. The Arab summit is designed to co-ordinate top-level Arab backing for the uprising.

OVERSEAS NEWS

Hong Kong rates up one point today

By David Dodwell in Hong Kong

INTEREST RATES are to be raised in Hong Kong today in response to a steady upward pressure on rates in the US and rising overnight interbank rates in the territory in recent weeks. The prime lending rate will be lifted by a full percentage point to 7.5 per cent.

Stock market analysts in Hong Kong disagree over the effect on sentiment of the latest increase. A rise of half a percentage point had been expected for the past two weeks, and appears to have been discounted by stock market operators.

It is less certain, however, that the increase, which is larger than expected, can be shrugged off. This is especially so after the blow to the market on Thursday, when a deal by Jardine to "buy out" a consortium of Chinese businessmen who had been manoeuvring for an assault on Hongkong Land killed a rumour that has been provoking speculation in the local stock market for much of the past five years.

Moderation gains ground in S Korean politics

BY MAGGIE FORD IN SEOUL

A WAVE of moderation appears to be rolling over South Korea in the wake of parliamentary elections last month in which the ruling party lost its majority. Such a change could affect internal politics and external relations.

Mr Kim Dae Jung, re-elected leader of the main opposition Party for Peace and Democracy, stressed reform and stability in his acceptance speech at the weekend, while the US signalled hopes that a new era of co-operative, rather than fractious, negotiations with its ally could be on the way.

Outlining his programme for the National Assembly, Mr Kim said he would concentrate on three areas – progress towards democracy, economic improvement and ending the legacy of the former regime of President Chun Doo Hwan.

His party would push for the release of political prisoners, a free press and an end to the involvement of police and intelligence agencies in politics. He would support medium and small business, better housing and health care, free trade unions and workers' rights so as to produce an equilibrium between business and labour. He also supports the independence of the central bank and help for farmers.

Mr Kim last week called for the displacement of the chief justice and the supreme court members as a first step towards a fair legal system.

He plans to use the National Assembly's new powers to look into corruption by the previous regime, alleged fraud in the presidential election last year, and the Kwangju incident in which at least 200 people were killed by the military in a 1980 uprising.

Mr Kim has emphasised his commitment to negotiation and to a successful Olympic Games in Seoul this year.

However, two new appointments made by President Roh Tae Woo suggest that the opposition faces an uphill task. Mr Roh removed the Interior Minister and the intelligence chief in favour of two men who had been linked to the military or to law enforcement agencies. Following the appointment to party secretary-general of one of the military men held responsible for the Kwangju incident, observers believe that the Government plans to resist demands for investigation of sensitive areas.

Meanwhile, after trade talks with the US last week, South Korean officials are adopting a conciliatory tone over the visit to Seoul this week of Mr William Taft, US Deputy Defence Secretary.

He is touring European and Asian capitals to persuade allies to shoulder more of the cost of Western defence. South Korea has been asked to pay more for the 40,000 US troops in the country, to help fund US activities in the Gulf and to contribute towards an aid plan for the Philippines.

A Defence Ministry official said yesterday cost-sharing was being positively reviewed. Although Seoul did not wish to become involved in the Gulf conflict, it would be willing to give indirect support by providing maintenance for US aircraft operating in north-east Asia.

A Foreign Ministry official said South Korea already paid $1.3bn towards the cost of the US troops and spent nearly 6 per cent of gross national product on defence. South Korea is likely to ask the US to share more defence technology in return for any help.

Robert Taylor examines European trade unions as they confer

The workers prepare for 1992

THE EUROPEAN Trade Union Confederation conference in Stockholm this week will endorse the European Community's move to a free internal market, but with reservations.

In their Brussels headquarters the ETUC – representing 44m organised workers in 21 western European countries – has found a useful ally in the Commission for its campaigns for full employment and trade union rights. Mr Jacques Delors, EC president, can expect a sympathetic audience when he addresses the conference on Thursday.

What the ETUC wants to see are measures that will protect the freedom of workers who want to move around the EC for work, strengthen social security provisions for them across national frontiers and extend legal rights for workers and unions through the harmonisation of company law.

The impetus from the creation of an internal market by 1992 has given western Europe's trade unions the opportunity to revive a wider interest in well-established policies that have fallen on deaf ears over the past 10 years, particularly in Britain and West Germany.

Delegates in Stockholm will recognise – though not always inpublic – that they face enormous problems in establishing any credibility for their organisation as an industrial and political force to be reckoned with. Unions and workers have always found it hard to create strong bonds across the barriers of language, custom and practice, even at the best of times. Now, however, with an estimated 16m workers unemployed inside the EC, the difficulty of hammering out transnational bargaining strategies is even more acute.

Moreover, sceptical observers are bound to question the representativeness of such a body as the ETUC. An international research project being carried out on western European union membership trends, based at the University of Mannheim, has recently published a breakdown of the organisational strengths of the unions across the continent.

The ETUC wants to see measures that will protect the freedom of workers who want to move around the EC

These suggest that, in a growing number of countries, the unions are finding it hard to hold on to their old members as a result of mass unemployment, occupational change and a more hostile political climate.

The biggest numerical drop in union penetration has occurred in Britain (down from 54 to 38 per cent in the 1980s) but there has been a similar decline recorded over the same period in the Netherlands, where organised labour has declined from 38 to 29 per cent of the workforce. In West Germany the contraction has been less dramatic so far, with a fall from 33 to 31 per cent during the eighties. Union membership figures for France have always been low and unreliable but the Mannheim project reckons no more than 15 per cent of French workers are now unionised.

The rundown of the traditional smoke-stack industries, where workers were organised in unions, combined with the growth in private sector service employment and small companies where collective organisation has always proved harder to achieve, provides a main explanation for the present growing crisis in west European trade unionism.

However, the Mannheim project also shows there remain crucial differences between the relative strengths of unions in various countries. In most of Scandinavia unionism remains tenacious. During the eighties it has grown in Sweden (up from 83 to 86 per cent of the workforce) and in Denmark (up from 74 to 84 per cent). The reason for this high level stems far less from any worker enthusiasm in those countries for collective organisation than from the fact that their unions retain a key role in the provision of social welfare benefits.

In Norway, where this is no longer true, only 58 per cent of workers belong to unions. This may also help to explain why the rate of unionism in Belgium remains high at 74 per cent of the labour force.

However, the size of public sector service employment is also an important factor in explaining the differences in trade union penetration among west European countries. In Scandinavia workers in local government, the health service and education are well organised in unions and have considerable influence over the direction of collective bargaining.

The uneven realities in the workplace will make it very difficult for the ETUC to find common ground to bind its affiliates together in any strategy to defend and extend existing union membership boundaries. Outside Britain few governments have embarked on strategies designed to weaken unions, even if they have been far less ready than in the immediate post-war period to strengthen union and worker rights because of economic constraints.

The papers being presented to the Stockholm conference reflect a surprising degree of optimism inside the ETUC. "At the European level, the cohesion of the European trade union movement has never been so strong," it is claimed. In such areas as mass redundancy and equality between men and women in the workplace, the ETUC can report some progress.

So the present outlook is not entirely bleak for the unions in western Europe. In its list of specific demands to give a "social dimension" to the moves to the internal market by 1992, the ETUC hopes to go some way to counter-act what it calls "neo-liberal, monetarist" governments that favour deregulation as a way to undermine union cohesion. Its lobbying efforts with the EC bureaucracy in Brussels may produce greater progress than calls for transnational collective bargaining with multinational companies or demonstrations against mass unemployment.

SHIPPING REPORT

Dry cargo rates well up

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

FREIGHT RATES improved dramatically on the dry cargo markets in mid-week, and brokers said hopes were rising for a substantial reaction to the 25 per cent fall in prices of recent weeks.

The key US Gulf to Japan rate rose to $23 from $21.10, and there were indications that owners would soon be receiving $24. By the end of the week, Panamax ships were commanding about $12,000 per day for the Atlantic round trip, compared to $10,500 in mid-week.

Business was greatly reduced in the Middle East Gulf, and rates came under pressure as a result of a build-up of very large crude carriers available for fixing.

E.A. Gibson, the London brokers, said a 230,000-ton VLCC was fixed to Taiwan at Worldscale 37, and there was a report that a VLCC had been fixed at Worldscale 32½ to the West – a reduction of 2½ points.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1980=100)

	Mar.'88	Feb.'88	Jan.'88	Mar.'87	% change over previous year
W. Germany	121.9	121.8	121.5	120.7	+1.0
France	169.9	169.4	169.1	165.7	+2.5
Italy	218.4	217.5	216.9	208.0	+5.0
Netherlands	122.7	122.3	122.1	121.9	+0.7
Belgium	145.1	145.0	144.6	143.7	+1.0
United Kingdom	155.7	155.1	154.5	150.5	+3.5
USA	141.4	140.8	140.5	136.1	+3.9
Japan	115.3	114.9	115.1	114.6	+0.6

Source: (except US) Eurostat

UK NEWS

Prescott steps up his election campaign

By Charles Hodgson

MR JOHN PRESCOTT, who is challenging Mr Roy Hattersley for the Labour deputy leadership, has written to constituency Labour parties throughout the country urging support for his candidature and outlining his plans for improving the party's organisation.

Mr Prescott, MP for Hull East, argues that organisation is as important to the party as policy. If elected, he pledges to spearhead a campaign to build a mass Labour Party and to involve regional and constituency parties and trade unions in future campaigning.

The letter marks the start of a new phase in the Labour leadership contest, which had been conducted at a low key before last week's local elections.

Mr Prescott, along with Mr Tony Benn and Mr Eric Heffer, who are jointly challenging for the leadership and deputy leadership respectively, clearly feels free to step up the pace of his campaign after Labour's local election successes in the run-up to the party conference in October.

Mr Benn and Mr Heffer, members of the hard-left Campaign Group of MPs, opened the second stage of their campaign on Friday by announcing a "sustained, head-on" challenge to the moderate policies being pursued by the Kinnock-Hattersley leadership.

Mr Prescott, who is sponsored by the National Union of Seamen, said that as deputy leader he would give full support to Mr Kinnock and argues that Labour should decide on a more clearly defined role for the deputy leader, one of only three party officers elected by the whole Labour movement.

If elected, he would tackle the two key issues of membership and campaigning. "There is a direct link between our electoral fortunes and our ability to build a mass party," Mr Prescott says.

Tory advertising raises concern

By Peter Riddell

LORD THOMSON of Monifieth, chairman of the Independent Broadcasting Authority, yesterday admitted concern over the Government's recent advertising campaigns.

His comments, on BBC Radio 4, follow Labour Party criticism of the increase in government spending on advertising, which has also led to concern by the Treasury and the Commons Public Accounts Committee.

Lord Thomson said the Government was using "the persuasive and visual skills of advertising agencies to a degree which governments didn't do in the past. . . This change brings the risk of transgressing the line between objective information and making a party political point."

The IBA has apparently insisted on changes in certain recent advertisements.

Amstrad enters contest for Fidelity brand name

BY DAVID THOMAS

SEVERAL COMPANIES, including Amstrad, the fast growing UK consumer electronics group, are competing to acquire the brand name Fidelity. The exit from manufacturing of Fidelity, the last British-owned television maker, was disclosed last week.

The decision on who will take on the name is likely to be made this week, when Amstrad is also due to launch its first video camera and an easy-to-use video recorder.

Caparo Industries, the engineering group headed by Mr Swraj Paul, last week announced the closure of Fidelity, its loss-making electronics subsidiary, after looking at many options in an attempt to save its manufacturing capacity.

It has emerged that several British and foreign companies are keen to preserve the Fidelity name. "We are discussing with quite a few people how to use the name," Mr Paul said.

Mr Paul said he hoped to decide between the contenders this week. They included Amstrad, which had entered the contest late in the day.

Mr Paul added, however, that none of the interested companies intended to retain Fidelity's manufacturing capacity.

Fidelity is a name long associated with the UK's hi-fi, radio and television markets. Most recently, it has concentrated on televisions, where it had 12 per cent of the 14-inch market and 4 per cent of the total market, according to Mr Paul.

Amstrad, which is understood to be vigorously pressing its claim for the Fidelity name, will demonstrate its continued commitment to the leisure sector by launching a range of products this week.

One is likely to be Amstrad's first foray into the new generation of compact video cameras, known as camcorders, which allow people to shoot their own home movies and replay them on their video recorders.

Camcorders have so far failed to take off as widely in Europe as in the US, mainly because of their high price. About 95,000 camcorders were sold in Britain last year, according to BIS Mackintosh, the market research organisation, which forecasts 25 per cent growth this year.

Amstrad is almost certain to follow its usual strategy of competing on price against the leading brands, which, in camcorders, include Sony, Panasonic and JVC. Last year, the average retail price of a camcorder was £800, while some cost over £1,000, according to BIS Mackintosh.

Amstrad is also likely to launch a video recorder with what it believes is a revolutionary new design, making it easier to programme than existing machines. The development team has given the hand-held programmer the codename "AIT" – or Anti-Idiot Transmitter.

Speaker intends to stay in post

BY PETER RIDDELL, POLITICAL EDITOR

MR BERNARD WEATHERILL, Speaker of the House of Commons, said yesterday that he would carry on at least until the next general election despite recent criticism of his performance.

His comments on ITV's Weekend World reflected his determination to answer critics as he has done already on the BBC's Week in Westminster and Channel Four's Parliament Programme.

Mr Weatherill's frankness has irritated some House of Commons traditionalists and senior Tories who feel he should take a lower public profile.

Yesterday, however, Mr Weatherill defended his policy of making the Commons the centre of public debate. He acknowledged that it sometimes annoyed ministers, and conceded that recent press attacks on him had upset him and his family.

Describing himself as a cavalry officer who knew his duty, he said he was absolutely determined to stay the course.

"I have no intention of taking an early bath," Mr Weatherill declared. "I will continue to do my duty by the House in the traditional way of speakers of being on the side of Parliament, of ensuring that everything of importance in the nation is exposed on the floor of the House."

Mr Weatherill defended his decision a month ago to grant an emergency debate on social security, to the annoyance and surprise of ministers. He said the decision had reflected what had been said to him by his constituents, in letters and by MPs.

It was, he said, accepted by most MPs as the right decision.

Two months ago, he said, he would have preferred the Government to launch its inner cities initiative in the Commons before holding a press conference, rather than the other way round.

No 10 enters the media debate

BY OUR POLITICAL EDITOR

THE CONTROVERSY over government relations with broadcasters and the press was further stirred at the weekend by typically blunt remarks from Mr Bernard Ingham, the Prime Minister's Press Secretary.

However, claims in The Observer newspaper yesterday that the Government was stepping up a concerted campaign against the "irresponsibility" of the British media, in the wake of BBC and ITV documentaries on the Gibraltar shootings of three IRA terrorists, were dismissed by Downing Street as "ludicrous nonsense."

Mr Ingham is quoted as saying the standards of the media had declined "to the point of institutionalised hysteria." He also said: "There is nothing wrong with the British media that a renewed respect for facts, objectivity and fairness rather than the false gods of invention and malice would not cure."

A former Guardian journalist before joining the Civil Service 20 years ago, Mr Ingham has expressed such views on the press several times in public speeches in recent years.

Mr Ingham made clear that his remarks were made "in the context of discussing the media generally and not in the context of the ITV or BBC programmes."

Mr Roy Hattersley, Labour's deputy leader, last night criticised Mr Ingham as "an unelected member of the Cabinet." He said: "Mr Ingham's behaviour is increasingly that of a hysteric accusing others of hysteria."

Last night Mr Hattersley wrote to Mr Douglas Hurd, Home Secretary, asking whether, as minister responsible for broadcasting, he endorsed Mr Ingham's attack.

MP seeks incentive for home annuities

BY DAVID BARCHARD

RETIRED PEOPLE who take out a mortgage on their homes to finance an annuity could receive double their annual incomes from that annuity if amendments to the Finance Bill tabled last week by Mr John Butterfill, Conservative MP for Bournemouth West, are approved by the Commons next month at the committee stage.

Home annuity mortgage schemes enable an elderly home owner to take out a mortgage of up to £30,000 on his or her house. That provides a modest annual income – about £2,400 a year for a man of 75 and about £1,700 for a woman of the same age – after interest payments have been made.

Similar schemes are operated by Allied Dunbar and by the Halifax and Abbey National building societies. Although there is a potential market of millions, fewer than 50,000 are thought to be covered by such schemes, which have not found favour with financial services organisations mainly because of their prohibitive tax burden.

Mr Butterfill's amendment, supported by 54 Conservative MPs including 10 members of the standing committee considering the bill, would allow interest to accumulate tax-free and be repaid together with the mortgage debt when the borrower died.

Tailors face a strong pound and high rates, reports **Alice Rawsthorn**

Savile Row tightens its waistline

LAST WEEKEND the Federation of Merchant Tailors celebrated its centenary in Savile Row, the heartland of London's master tailors. But beneath the jollity of the celebrations, the tiny industry faces an uncertain future.

After a few prosperous years, the tailors are suffering because the rise of the pound against the dollar has depressed their sales to the US. Moreover, the Government's new property legislation threatens to drive them away from Savile Row.

The merchant tailors enjoyed their heyday at the turn of the century when the federation sported more than 1,000 members. But the birth of multiple tailors – such as Burton, Hepworth and John Collier – offering factory-made suits at accessible prices enticed customers away.

The decline began in the 1920s and has continued ever since, although there have been pockets of prosperity. The tailors flourished in the post-austerity era of the late 1950s but suffered when fashions became more casual in the hippie years of the 1960s.

They enjoyed another renaissance in the mid-1980s. The bullish stock market, together with the explosion of the financial services sector before Big Bang, nurtured a new source of business in "new money," as Mr Robert Gieve, vice chairman of Gieves & Hawkes, calls it.

Today there are about 100 merchant tailors in England, employing more than 3,000 people. Several, like Henry Poole and Anderson & Sheppard, are sizable companies. Gieves has developed a broadly based outfitting business from its origins as a bespoke tailor.

More than half the tailors work in and around Savile Row in the West End of London. Some, such as Gieves, and Wells of Mayfair, produce from rooms tucked above and behind their shops. Others rely on the network of workshops in nearby Soho.

Robert Bright, owner of Wells of Mayfair: fears closures

The process of making a bespoke suit is as skilled as ever. It takes at least 40 different measurements and 50 working hours to make a suit, which will sell for £500 to £1,200.

The merchant tailors mustered sales of about £27m last year, £18m of which came from overseas. Many of these foreign customers buy their suits directly from Savile Row on visits to London, but the larger companies conduct regular sales tours of large markets such as the US.

After years of exporting, the London tailors have become adept at meeting the needs of their different markets. The US West Coast favours bright colours and dashing designs, while the East prefers subtler styles such as chalk stripes. The Japanese like plain cloths, often navy blue, in a conservative cut.

The US has long been the tailors' main market. Last year alone it provided £15m of sales. But from autumn onwards, the market suffered as sterling strengthened and the cost of ordering a bespoke suit from a London tailor spiralled.

Since the start of this year these problems have worsened. Mr Robert Bright, chairman of Wells of Mayfair and the federation president, estimates that US sales fell by about 18 per cent in the first quarter. So far there have been no company closures or job losses, but Mr Bright is convinced that there will be unless the US market recovers.

The merchant tailors face the parallel problem of the changes to commercial property legislation introduced last summer. The reforms abolished the category of "light industrial space," so that the property occupied by the tailors is now classified as "office space."

The rental value of office space in central London is, says Mr Bright, four times that of light industrial space. Thus the merchant tailors face the threat of quadrupled rent and rates, which are assessed according to the rental value. Very few could accommodate such increases.

There is also a risk that when the Savile Row leases come up for renewal, the tailors' business premises will be redeveloped into expensive office space. Hitherto, the tailors have been protected by the fact that it has not been very profitable for property companies to redevelop their "light industrial space."

That threat has already become reality for some of the small workshops in Soho that manufacture for the tailors. Several have been forced to move or to close since last autumn, because the buildings in which they work have been redeveloped.

The federation argues that, unless these difficulties can be overcome, then the tailors will be scattered across the city. Moreover, Savile Row will cease to be the centre of master tailoring and will turn into a motley collection of shops and offices, just like so many other streets in London.

POLICY REVIEW GROUP SAYS PRE-1979 STRATEGY IS INADEQUATE

Labour told 'review economic plan'

BY CHARLES LEADBEATER

A FAR-REACHING overhaul of the Labour Party's economic strategy has been called for in a report by the party's policy review group.

The group was set up by the party's conference last year to develop policies for the "productive and competitive economy."

Labour's leaders regard the report as potentially the most important economic policy document prepared since the early 1970s, when the party's left-wing developed the "Alternative Economic Strategy," – based on a mixture of Keynesian demand management, nationalisation and planning agreements between the state and the private sector.

The report, which is almost certain to be endorsed by the party's important home policy committee today before being considered by the national executive committee, says that "pre-1979 economic management will not be adequate" to meet the challenges facing the British economy.

It rejects re-nationalisation of industries privatised by the Government, and instead calls for tougher regulation of major utilities, which would be designated "public interest companies."

It commends economies such as Sweden's, as both more successful and more socialist than Britain's, yet which have a small state-owned sector.

Labour would assess the need for social ownership on a case-by-case basis, to provide solutions "appropriate to the enterprise concerned, conducive to its efficiency, and fair to existing shareholders." No detailed proposals for compensation of existing shareholders are suggested.

The report says Labour would use a variety of means to ensure social ownership, including minority, and special shares, as well as the conversion of shares into non-voting bonds.

It argues for a shift from a predominant concern with demand management in order to promote full employment, towards a strategy to promote the competitiveness of British companies.

Full employment will remain a central goal, but it will not be achieved through the manipulation of demand alone, it says. Moreover, it calls for a "modern definition" of full employment, which takes into account the desire for a shorter working lifetime.

The report says the central issue of economic policy will be "what needs to be done to help companies, managers, workers, scientists, technologists and trainers, who must meet the challenges of the next decade, and what part government must play in providing that help."

The scale and pace of development needed means change will be most effectively promoted if the burdens of adjustment are more equally shared, it says.

The report says the market would have an important role to spur competition, stimulate innovation and widen consumer choice. However, it argues, the market will not provide for longer-term investments needed to secure a sustained improvement in competitiveness.

Companies, with their practical and informed judgments about potential markets would play a crucial role in drawing up a medium-to-long-term framework for economic development. Private-sector initiatives would be supported by Government policies to promote higher quality education, training and research and development.

It calls for a new national science policy to encourage innovation as well as a new approach to managing tensions within the international economy

Details, Page 8

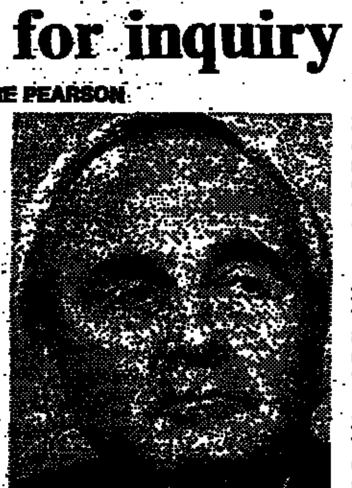
New calls for inquiry on sweet group bids

BY PETER RIDDELL AND CLARE PEARSON

POLITICAL pressure increased at the weekend for a full inquiry by the Monopolies and Mergers Commission into the future of the Rowntree and Cadbury Schweppes confectionery groups in the face of ambiguous remarks on competition policy by Lord Young, the Trade and Industry Secretary.

Labour leaders increased the political stakes over the future of the two companies, while Mr Michael Heseltine, the former defence secretary, is poised to increase his public pressure for an MMC reference of the bid by Nestle of Switzerland for Rowntree.

Several members of parliament plan to raise the issue in the House of Commons this week, on the grounds that British companies are not be allowed to bid for Swiss groups.



Lord Young: ambiguous remarks

There are signs that any inquiry may also take into account the nearly 18 per cent stake in Cadbury built up by General Cinema of the US, with the Office of Fair Trading looking into the broader position of the chocolate sector.

A Cadbury spokesman commented on a report that the OFT was looking at Cadbury as well as Rowntree: "We are not aware of any investigation. But I wouldn't be surprised if it was."

The report said the OFT's inquiry had begun about two weeks ago, after General Cinema declared it should no longer seen as a passive investor in Cadbury.

The Government is taking a non-committal view until it receives the OFT report, probably next week. In yesterday's Observer newspaper, Lord Young ruled out blocking bids on protectionist grounds since Britain would suffer.

However, he also hinted at a possible review of UK merger policy, changing the view of what creates a monopoly, because of the creation of a single European market after 1992. This could affect any link between large UK groups such as Rowntree and Cadbury.

Mr Tony Blair, Labour's trade spokesman, is due today to call on the Government to refer both situations.

He said a reference to the commission would signal "in the clearest possible terms that the Government sees its role in relation to 1992 and the single market as an active, not a passive one.

Seamen's union likely to reject Sealink offer on temporary jobs

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of the National Union of Seamen (NUS) seem unlikely today to accept a jobs offer by the Sealink ferry company and instead were warning last night of a lengthy continuation of the 14-week-old ferry dispute.

Sealink UK has given the NUS until 10am today to accept a framework deal worked out over the weekend with the conciliation service Acas.

Sealink's master company, the Bermuda-based Sea Containers, discussed the dispute at a board meeting in Paris yesterday, but Sealink UK insisted that today's deadline stood.

Mr Charles Lenox-Conyngham, chairman and chief executive of Sealink UK, said that if no answer had been received by the deadline it would be assumed that the offer had been rejected.

Sealink may return to the courts to seek further penalties against the NUS, after its legal action led last week to the union's sequestration. P&O European Ferries, with which the NUS is in direct dispute, is to return to the courts on Wednesday.

Talks between Sealink and the NUS at Acas ended in failure late on Saturday after it became clear that the NUS port committee at Dover regarded the framework agreement reached by the union and the company as insufficient.

Under the proposed deal Sealink promised to employ on temporary, casual work on two new cross-Channel ferries 450 of the P&O Dover employees sacked as part of the dispute over operating costs and working practices.

In return, the NUS would lift its secondary action against Sealink, allowing its own sequestration to be lifted in turn. In a separate but related development, the Trades Union Congress (TUC) is offering to set up a special trust fund to alleviate hardship among the seamen.

But at Dover, a mass meeting jeered at details of the deal when they were spelt out by Mr Sam McCluskie, NUS general secretary. Strikers made it clear they wanted full-time, permanent jobs for all 750 sacked P&O strikers, but Sealink looks unlikely to increase its offer.

The NUS called on Sealink to fight P&O hard commercially.

Government may end ban on imports of Norwegian gas

BY MAX WILKINSON, RESOURCES EDITOR

THE Government may reconsider its policy of blocking imports of Norwegian natural gas, which followed its veto three years ago of a $30bn contract for British Gas to buy the Sleipner field from Norway.

Senior ministers have begun questioning whether it is sensible for Britain to use up all its own gas during the next 20 years, after which it would probably have to start talks with Norway from a relatively weak position.

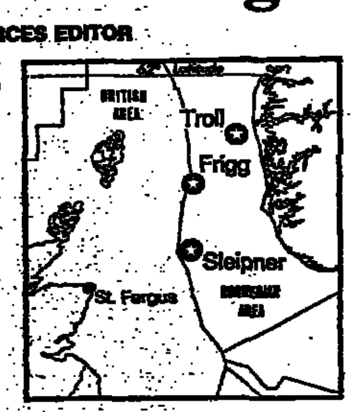
Attempts by British Gas to re-open talks with Statoil, the Norwegian state oil company, have been frustrated since the time of the veto because ministers wanted to protect the development of the British sector of the North Sea.

The purchase of the Norwegian Sleipner field was agreed with British Gas but then overturned by the Treasury which feared it would put a heavy load on Britain's balance of payments and tend to weaken sterling in the late 1990s.

Subsequently, however, the rise in sterling and the fall in oil prices since 1985 have made imports appear less burdensome.

The issue is likely to re-open trench warfare in Whitehall, the Government's administrative centre, between those who support free trade and those who want to protect Britain's oil and gas interests at all costs.

The re-appraisal, which is at an early stage, has been prompted partly by the implications of the Government's plans to privatise the $40bn electricity industry in the next three to four years.



Private sector electricity companies are expected to want to build more smaller gas-fired power stations, as is happening in the US. Small gas-fired combined-cycle power plants can be built in about half the time needed for big traditional coal-fired power stations and they present fewer pollution problems.

In January, Mr Peter Morison, the Energy Minister, said controls on the use of gas in small power stations had been abolished and that the Government would look sympathetically at proposals for larger gas-fired power plant.

Ministers have recognised that these schemes could significantly increase demand for natural gas in Britain and so advance the time when additional imports would be needed.

Last year the UK imported about 12bn cubic metres of gas – 20 per cent of its needs – mainly from the Norwegian Frigg field. In 12 years, according to an authoritative new study by the Fridtjof Nansen Institute in Oslo, Britain's importing needs would be little changed, although the Frigg field would be exhausted.

However, by the year 2010, Britain's imports of gas are expected to rise to between 34bn cu m and 40bn cu m, representing about 70 per cent of UK consumption.

Norway could meet a significant part of this demand from its giant Troll and Sleipner fields, which are to be developed as part of a $60bn agreement with a consortium of European gas utilities.

Statoil is anxious to sell some of its spare production capacity in the late 1990s to the UK, and British Gas would like to re-open serious talks.

Although British Gas is now a private company, it fears the Government would block any deal by refusing to grant licences for the North Sea pipelines which would be needed.

One official said recently that such a licence would be granted "over his dead body," and that licences might even be witheld for use of the existing line to the Frigg field for transporting other Norwegian gas.

However, ministers appear to be taking a more liberal view. This is partly because they believe tax changes in the last Budget should allow projects in the UK's Southern Basin gas fields to compete fairly with imports, and partly because British Gas has scaled down its ambitions and now wants to import relatively smaller volumes on medium-term contracts.


OUR BRAND NEW
TELEPHONE
NETWORK
FEEDS ON FIBRE.
NO WONDER
IT'S SO HEALTHY.
MERCURY COMMUNICATIONS

Growth 'will slow and pound decline by 1990'

BY RALPH ATKINS

RECENT upward movement in the value of the pound will be reversed and British economic growth will slow by the end of the decade, four groups of economists predicted at the weekend.

Four reports by independent economists showed economic growth slowing from an exceptionally high level last year. They expected the trade deficit to worsen this year and next but were optimistic about exports and investment.

Cambridge Econometrics (CE) said sterling's recent appreciation would be temporary. It predicted that by 1991 the current-account deficit would be so large and persistent that the markets would take fright.

"The Government's dilemma," CE explained, "will be whether to let sterling fall and allow the rate of inflation to accelerate to about 7 per cent per annum, or to raise interest rates and restrict credit and so risk a financial crisis that will damage growth and employment."

CE predicted that the British economy would grow by 3.1 per cent this year and 1.6 per cent in 1989. It forecast an average growth rate of 2.2 per cent a year between 1990 and 2000 compared with 2.8 per cent a year from 1985 to 1990.

The recent strength of consumer spending was not expected to run much beyond 1988, CE said. Instead, investment and exports would become the main sources of growth.

It predicted that spending on fixed investment would rise by 6.6 per cent this year after a 3.5 per cent rise in 1987. Unemployment was forecast to rise to 2.8m by 1991 before falling gradually.

DRI Europe said that the value of the pound against the D-Mark might fall to DM2.6 by the end of the year compared with the current rate of about DM3.13.

"Dealers in the market think that they can make money short-term and get out before the crash comes," said DRI. "They are probably wrong and are likely to lose money when the economic fundamentals assert themselves."

DRI expected British gross domestic product to grow by 3.2 per cent this year and 2.6 per cent in 1989. In both years, added DRI, it would be higher than in West Germany, France, Italy or Canada.

The Henley Centre for Forecasting said recent confidence about the British economy had led to a large inflow of funds from abroad, pushing up the pound. It added, however: "Continuing poor trade figures coupled with a slowdown in economic growth will lead to downward pressure on sterling over the coming two years."

The centre said consumer spending would grow by 4.3 per cent this year, but the rate of increase would fall to 2.5 per cent in 1989. It expected investment and export growth rates to fall over the same period, but then rise faster than consumer spending in 1992 and 1993.

CL-Alexanders Laing & Cruickshank, the securities house, said the Government's economic policy was in "total disarray."

Inconsistencies in strategy meant that interest rates were artificially high and that most current capital inflows consisted of speculative money which could "flow out as rapidly as it flows in".

Alexanders said that in the next few months sterling might rise above DM3.25 before falling back to DM3 by the end of the year.

Thatcher reaffirms desire to stay leader

By Peter Riddell, Political Editor

MRS MARGARET THATCHER wants to carry on leading the Conservative Party until after the next general election and she has received backing for a continued radical programme into the 1990s from a trio of ex-ministers.

The three are Mr Norman Tebbit, Mr Michael Heseltine and Mr Leon Brittan.

In a lengthy interview in The Sunday Times, she reaffirmed her desire to continue as Prime Minister and said she would "hang on until I believe there are people who can take the banner forward with the same commitment, belief, vision, strength and singleness of purpose."

She said there would come a time when people would say "there are several young people who could be leader." That will lead to speculation about ministers now in their 40s.

Mrs Thatcher praised Dr David Owen, leader of the continuing SDP. She respected his feeling for "fundamental things" such as crime and defence, "what ordinary people are concerned about", and said he would have to decide whether to opt for the Conservative or socialist way.

Dr Owen returned the compliment but said he would prefer to go out of politics than become a Tory.

Mrs Thatcher was also critical of recent divisions in her own party, which she blamed for Labour's recovery in the polls.

The voters, she said, did not expect the Tory party "to be split and that is what has happened."

On the BBC's This Week Next Week television programme yesterday, Mr Tebbit, former Conservative chairman, said reforms would continue well into the 1990s and that would involve making changes "on the run" and with "a push and shove."

His conclusion was also backed by Mr Heseltine, who referred to overseas-induced pressures from Europe imposing standards of competitiveness on Britain.

In a weekend speech, Mr Brittan said the credibility of the Government arose from its will and determination to maintain the momentum for change.

He said: "Ours is a reforming government, which stands or falls on the change it generates and the pace of that change. Every time we falter, we increase the possibility that there will be a price to pay at the next election."

Peter Riddell examines the parliamentary aspects of the chocolate wars

Monopolies and political sweeteners

THE CITY battle over the future of the Rowntree and Cadbury Schweppes confectionery groups has now surfaced at Westminster. Motions have been tabled by MPs. Questions have been asked. Ministers have been discreetly lobbied.

Opposition leaders and senior Tories both argue that the affair raises questions about the future ownership of British industry, and particularly its place in a common European internal market after 1992.

Industrial issues are seldom raised at Westminster except when they hit the headlines and involve scandal, strikes, large-scale redundancies or takeovers. The instincts of most MPs are protectionist in the broadest sense. They speak up to defend their constituents' current jobs.

That applies particularly when a company with strong local roots is threatened. By emphasising its position in the north-west, Pilkington rallied parliamentary opinion to its side at the beginning of last year when faced with an unwelcome approach from BTR (subsequently withdrawn).

Rowntree has a similar reputation in Yorkshire, but has been slower to mobilise support at Westminster. MPs have been privately critical of the company's efforts at lobbying. For instance, it has only just appointed an adviser on its Whitehall and Westminster activities.

Rowntree's strongest cards have been its position in Yorkshire and the allegedly one-sided nature of the bid from Nestlé and the 29.9 per cent stake build by Jacobs Suchard, both of Switzerland. For instance, Mr Michael Heseltine has emphasised the absence of reciprocity, since similar approaches could not be made to Swiss companies, as they are bid-proof.

That point is highlighted in the Commons motion now backed by about 50 Tory MPs, mainly from Yorkshire and the north. The motion calls for a reference to the Monopolies and Mergers Commission, as does a parallel Labour one. A reference is supported by Mr John Banham, director-general of the Confederation of British Industry. For all its lengthy involvement in Britain, Nestlé cannot mobilise similar support.

Sir Adrian Cadbury: concerned with European context

Michael Heseltine: stresses absence of reciprocity

The debate has broadened because of speculation over the future of Cadbury. General Cinema of the US has a 17.7 per cent stake in the company and has said that it should not be regarded as "a passive investor."

Sir Adrian Cadbury, the British group's chairman, last week said that, if both companies were taken over, more than 80 per cent of the UK confectionery market would be controlled by non-EC companies. He also argued that the present UK competition policy, which focuses on domestic market shares, needs to be changed to take account of the wider European context.

MPs have taken up that point to argue that both situations need to be reviewed by the MMC. Mr Tony Blair, Labour's trade spokesman, argues in a statement this morning that the decision whether or not to refer both companies will be "a critical test of the Government's whole commitment to UK industry in advance of 1992."

In an interview in The Observer yesterday, Lord Young, Trade and Industry Secretary, played down the reciprocity issue in arguing that if countries continued to close their markets to foreign bidders they would ultimately be the losers. "If we start getting into protectionism we will be the ones to suffer most."

However, Lord Young hinted at a change of emphasis in merger policy by noting that the single European market of 320m in 1992 will be Britain's home market. "We must look at merger policy in a European dimension. If two UK companies command a market share which represents a monopoly in the UK, clearly it won't necessarily be a monopoly in a single European market. We have to take that into account." That could apply to a merger of Cadbury and Rowntree.

Political pressures will increase this week with further activity by Mr Heseltine, and also public questioning of ministers at trade and industry questions on Wednesday. The Government will remain publicly non-committal until it receives the report of the Office of Fair Trading, probably next week.

Executives 'uncertain' on pensions

By Eric Short, Pensions Correspondent

NEARLY 40 per cent of top executives and middle managers are undecided about their arrangements under the new rules for pensions, according to a Survey Research Associates (SRA) poll of 2,500 subscribers to Business magazine.

Younger executives and managers, it said, were the most uncertain. The findings confirmed those of earlier surveys which showed apathy towards or ignorance about radical changes in pension provision.

About 43 per cent of those interviewed intended to remain with their companies' pension arrangements. The proportion rose from 38 per cent for those aged 25–34 to more than 50 per cent for those older than 45.

The executives and managers interviewed were not keen to make their own arrangements through new-style personal pensions.

Only 18 per cent said they would take out personal pensions. That included 12 per cent who would use personal pensions to contract-out of the State Earnings-Related Pension Scheme, while 6 per cent would use personal pensions as well as Serps.

Commercial vehicle sales head for record

BY JOHN GRIFFITHS

THE UK commercial vehicle market has recovered sharply from the two-week strike at market leader Ford in March and appears to be on course for record sales for the second year in a row.

Society of Motor Manufacturers and Traders statistics show there were 27,424 registrations in April, up 15.22 per cent from the same month a year ago.

That brings the total for the first four months of the year to 117,096, a rise of 7.64 per cent from the same period in 1987.

The Ford dispute caused a drop in registrations of nearly 10 per cent in March. As a result, the first-quarter total was up only 5.2 per cent on that for the first three months of last year.

Last month, all sectors of the market saw sales increases apart from buses and coaches, sales of which fell to 300 units compared with 356 in April last year.

In the heavyweight sector, for trucks of over 3.5 tonnes gross weight, Iveco Ford continued to take an increasing market lead over the Anglo-Dutch Leyland Daf group. Last year, the two were neck and neck for the top position, with Iveco Ford winning by fewer than 200 units.

After the first four months of this year, Iveco Ford has sold 5,504 units, representing 24.8 per cent of the sector, compared with Leyland Daf's 4,867 units sold, or 21.92 per cent.

However, Leyland Daf is likely to gain a market boost from its decision to increase output at its Leyland truck plant from 59 trucks a day to 68 in September.

Sharp increases by smaller UK-based truck makers were not enough to halt a slow rise in the share of the heavy truck market taken by imports. So far this year, imports have accounted for 40.75 per cent, compared with 39.32 per cent a year ago.

April sales in the heavy truck sector were 5,274, up 10.77 per cent, and for the year to date sales are up 15.77 per cent at 22,194.

Light van sales totalled 8,558 last month, up 6.38 per cent, and this year have gained 1.58 per cent to 36,968.

Sales of medium vans, typified by the Ford Transit, were 11,952 for the month, up 26.14 per cent, and 50,446 this year, up 6.44 per cent.

The month's sales of light four-wheel-drive utility vehicles amounted to 1,340, up 15.02 per cent, and for the first four months reached 6,367, up 29.12 per cent.

US stockbroker hits out at plans for ITV

BY RAYMOND SNODDY

A LEADING US stockbroker who has encouraged international investors to buy shares in Britain's ITV companies has attacked government plans to put ITV franchises out to competitive tender.

Mr David Londoner, associate managing director of Wall Street stockbroker Wertheim Schroder, argues that a bidding system would force television companies to exploit the airways to derive maximum cash flow and would come "perilously close to expropriation."

ITV companies, he emphasises, were floated with the encouragement of the Government and the Independent Broadcasting Authority.

In a letter to the IBA, Mr Londoner, who says he has placed several million pounds of ITV stock with American institutional investors over the past 18 months, says anctioning is simply a bad idea.

"It would invite elements into the process who would be unlikely to maintain the high standards of British television," says Mr Londoner, who intends to make his views known to the Government.

Instead, the US stockbroker suggests three measures that could lead to increased competition in programming and advertising:

- The privatisation of Channel 4, although the IBA should continue to protect its programme remit and the ITV companies should get a minority of the shares to compensate for their initial investment. The shares would have to be distributed or sold, however, within five years.
- A move from a Treasury levy based on profits to a revenue levy. The present profit levy, together with corporation tax, "allows over 60 per cent of programme and other costs in effect to be paid by the Government," he says.
- Franchises should become freely tradeable among qualified owners, perhaps after a specific holding period.

The ideal policy for the future of British commercial television, Mr Londoner says, would be one which "encourages efficiency, slows the rise in advertising rates, increases government revenues and protects investors."

Ministry defends its record on Chernobyl

BY BRIDGET BLOOM, AGRICULTURE CORRESPONDENT

BRITAIN'S OFFICIAL response to the Chernobyl nuclear accident two years ago was neither too slow nor inefficient, the Ministry of Agriculture claims in a memorandum published today.

The memorandum has been submitted to the House of Commons Agriculture Committee. The committee is conducting an inquiry into the ministry's reaction to the explosion at the Chernobyl nuclear power plant on April 26, 1986 and its aftermath, after widespread criticism of the ministry's response.

The document is chiefly concerned to emphasise that the ministry and other government departments have adequate emergency procedures in case of accident at UK or foreign nuclear installations and that it acted sufficiently quickly to prevent the danger of contamination to foodstuffs within the UK after Chernobyl.

It points out, for example, that milk testing began as soon as increased levels of radioactivity were detected over the UK on May 2, but that the area of chief danger turned out to be from sheep grazing upland areas in Scotland, Wales and Cumbria.

The fact that restrictions on slaughter were not imposed until mid-June has been widely criticised.

However, the ministry argues that the lambs concerned were not ready for slaughter until then and thus presented "no immediate problems as far as the human food chain was concerned."

The ministry's critics include the National Farmers' Union and the Country Landowners' Association, which have accused it of being ill prepared, of acting too slowly on affected areas and of paying insufficient compensation to farmers.

The document says the £5.2m paid in compensation is adequate.

House of Commons Agriculture Committee. Chernobyl: The Government's Response. Ministry of Agriculture Fisheries and Food, Whitehall, London SW1.

Performance is key in draft rethink of Labour economic policy

Charles Leadbeater studies the ideas of Bryan Gould's planners

THE LABOUR PARTY's traditional Keynesian economic policies are clothed in an air of comfortable familiarity. The tools of policy are easily identified – public spending and borrowing, together with manipulation of the exchange rate.

So too is the goal of demand management: promotion of full employment.

The draft report of Labour's policy review group on the productive and competitive economy, to be considered today by the party's Home Policy Committee, takes it on to much less familiar terrain.

Prepared by a group working under the chairmanship of Mr Bryan Gould, spokesman on trade and industry, it says bluntly: "Pre-1979 economic management will not be adequate" to the challenges facing the UK economy.

It calls for a complete shift from the direction the party's economic strategy took in the 1970s, from the macro-economics of demand management to the micro-economics of promoting the competitiveness of British companies. Demand management, it says, must complement supply-side measures to improve the flexibility and adaptability of British companies.

The review moves away from the "alternative economic strategy" developed by the party's left wing, with its talk of widespread nationalisation and planning agreements, and leans towards an alliance with the private sector.

It says the central question is: "What needs to be done to help the companies, managers, workers, scientists, technologists and trainers, who must meet the challenges of the next decade, and what part must government play in providing that help?"

But with that shift comes a fundamental question, largely untouched by the party's previous economic policies. The goal of raising the economy's competitiveness crucially relies on improving the performance of companies. Does Labour have a credible alternative to the Government's micro-economics and enterprise culture?

One answer, the document argues, is that full efficiency can be achieved only through utilising all available resources. Thus it argues: "Full employment must be at the heart of a rational economic policy for the 1990s."

Yet it goes on to say that this will not be achieved through "manipulating aggregate demand." Only change through consent, it says, will promote the pace and scale of development needed for the economy to respond to the competitive pressures of the 1990s.

But the key is a new approach to the relationship between the state, the private sector and the market.

In the short term, the market spurs competition, stimulates innovation and widens consumer choice. However, it undervalues high-quality education, training, and long-term research and development, which are the foundations for competitive success.

The report emphasises that companies will be crucially involved in drawing up a medium to long-term framework for economic development. Economic weaknesses and opportunities must be identified on the basis of practical experience and informed assessments of potential markets. There is no mention of a national economic summit of union leaders, employers and ministers.

It goes on to outline a series of measures the review group will consider in its second, more detailed phase, to prepare a final report for the party's 1989 conference: a government-backed industrial investment bank; a new national science policy; an active re-training programme to spread the burdens of industrial change.

It is in this context of the need for an alliance with the private sector to improve competitiveness that the paper argues for revision of the party's approach to social ownership. Renationalisation is not mentioned.

Instead, the tone is set by a commendation of other economies, such as Sweden's, which is "both more successful and more socialist than our own, yet where state ownership has only a fraction of the importance it enjoys in Britain."

It identifies Labour's problem in dealing with the main utilities, such as the water, gas and electricity industries, in this way. Consumer satisfaction is a fundamental measure of economic efficiency; monopolies often provide consumers with a poor service because they are not open to competitive pressures; but it would be wrong to open essential services to market forces, it says.

The solution is to designate such industries as "public interest companies," which would have a statutory responsibility to meet the needs of consumers and the national economic interest.

Where changes in ownership or control may be necessary, various means could be used, such as minority and special shares. Payment of compensation for existing shareholders is avoided.

The aim is to provide solutions which are, "appropriate to the enterprise concerned, conducive to its efficiency, and fair to existing shareholders."

It is not a detailed policy statement: many questions are left unanswered. But the report is the first clear indication of what Labour will stand for in the first election of the 1990s.

Civil engineering orders improve amid low profits

BY ANDREW TAYLOR

ORDER BOOKS of civil engineering companies are continuing to improve, but profit margins remain low, according to the latest workload survey from the Federation of Civil Engineering Contractors.

It said shortages of skilled labour and some building materials continued to affect parts of the industry, and that there were marked differences in regional performance.

The federation pointed to a slowing in the rate of increase in orders which indicated that "workloads may be starting to stabilise."

The findings contrasted with recent forecasts based on order trends for all aspects of building. Those forecasts indicated that total construction output might rise by a further 8 per cent this year.

Since 1971 the proportion of new construction funded by the public sector, a large slice of which would have been done by civil engineers, has fallen from more than 51 per cent to less than 30 per cent.

The federation said competition remained keen, and that civil engineers still found it hard to improve margins. Invitations to tender were less buoyant than at the beginning of the year.

In Scotland, opportunities for work continued to be patchy while in north-west England, the Midlands and south-west Wales there had been a marked levelling-off in the flow of tenders for work.

Some of that might be due to seasonal factors, it said. The outlook for the next 12 months was generally satisfactory, the federation added, with most companies expecting stability or moderate growth in workloads.

Takeovers in first quarter reach £6.09bn

By Martin Dickson

ACQUISITIONS and mergers in the UK by industrial and commercial companies were valued at £6.09bn in the first quarter of this year, the second highest quarterly figure on record, government statistics show.

The period included the successful £2.3bn bid by British Petroleum for Britoil, the largest transaction since the acquisition of Imperial Group by Hanson and of Distillers by Guinness. Both were valued at more than £2.5bn and were concluded in the second quarter of 1986, which produced the record bid value figure of £6.4bn.

For the fourth consecutive quarter, the number of acquisitions exceeded 250, with the total of 275 deals recorded slightly higher than that of the fourth quarter of last year.

The figures were published in the government magazine British Business, which said last October's stock market crash "seems to have had only a limited effect so far on the number and value of companies acquired."

Task force leader to help set up rivers authority

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MR DAVID RENSHAW, the senior civil servant in charge of the Government's Merseyside Task Force, has been transferred to London to help set up the National Rivers Authority.

The authority will supervise pollution, drainage and fishery protection after water privatisation, and Mr Renshaw will start his job at the Department of the Environment today.

He was told to move there only last Tuesday, and there has been no time to find a successor on Merseyside, where the task force plays a central role in co-ordinating government help for regeneration.

Before joining the task force in 1984, Mr Renshaw worked on water pollution policy. He was a key figure in the Government's liaison with the European Commission in Brussels on that subject.

The Merseyside Task Force was established in 1981 by Mr Michael Heseltine, then Environment Secretary, after the Toxteth riots.

Call for Fawley inquiry

BY JOHN HUNT

THE COUNCIL for the Protection of Rural England has written to Mr Cecil Parkinson, Energy Secretary, calling for a public inquiry into the Central Electricity Generating Board's proposal for a coal-fired power station at Fawley, which is close to Southampton and the New Forest.

Mr Andrew Purkis, director of the council, said: "The range of potentially adverse effects is so broad that it requires the detailed scrutiny only available at a full public inquiry."

He said the Government's plans for privatising the electricity supply industry provided a new institutional background against which to assess the CEGB's proposals. He doubted whether Fawley B could be justified in such circumstances.

The council feels that the power station's tall stack would visually damage the landscape.

CONSTRUCTION CONTRACTS

£21m orders for Cruden

Warrington-based CRUDEN CONSTRUCTION has increased its order book by over £21m.

Urban regeneration schemes take the largest share of the total and include the newly announced Liverpool Cathedral College, containing 200 Cathedral Park housing units and a conference centre, together worth more than £14m.

Also in Liverpool, a £4m contract to build 145 houses and bungalows on the former Tate & Lyle factory site has been secured from the Eldonian Housing Cooperative; while on the Wirral, Cruden has been awarded the £700,000 third phase of the Ford Estate Refurbishment project.

The company's private housing subsidiary, Hillcrest Homes, says a start is imminent on its £3m Lydiate Park development in Sefton on Merseyside, the final phase of the Edge Lane Development.

Building Banbury Bypass

The civil engineering division of JOHN MOWLEM has been awarded a £17.9m order by the Department of Transport for the construction of Contract II of the Banbury bypass on the M40 in Oxfordshire.

This the second of the four contracts forming the bypass which will stretch from Wendlebury to Gaydon. This section will extend from south of the B4031 at Aynho in Northamptonshire to south of the A43 near Ardley.

The project involves 7.3 km of dual three-lane carriageway, plus hard-shoulder, of rigid composite construction. It will include eight bridges and two culverts. Work should start shortly, and is expected to take two years to complete.

*

FAIRCLOUGH PILING AND FOUNDATIONS is providing large-diameter piling for Town & City's office development in Old Bailey, London. On a £1.87m award the company is constructing 64 piles of 1800 and 2100mm diameter for the main structure of an office block on a site opposite the Law Courts. Bored by crane-mounted auger down to 45 metres below road level, the piles will enable structural steel columns to be erected within them. The building's ground slab will be constructed on this steelwork, enabling the superstructure to be constructed while the basement is being excavated. On the same contract Fairclough is also auger-boring some 200 piles of 900 and 1200mm diameter for a contiguous retaining wall, part of which will be close to the British Rail viaduct. All piles will be reinforced to resist heave forces. Already underway, the piling programme is scheduled for completion in July.

High-bay automated warehouse

WIMPENNY, Huddersfield, has won orders worth over £8m.

The largest, at £2.1m, is to design and construct a high-bay automated warehouse at Normanton industrial estate, Wakefield, for Bernard Brook transport. Work has started, and the building will be commissioned by the end of August.

Seven contracts totalling £5.5m include a £600,000 head office complex at Junction 41 Wakefield for, for David Lyons & Associates; a £1.75m office and factory extension at Liversedge for Birkby Plastics; and a £400,000 kegging building at Websters Ovenden Brewery.

In Lancashire the company has an order to build the £850,000 Salford Toby Restaurant; a £550,000 contract for the refurbishment of UMIST's Moffatt Building; and a depot for Cooper Clark, Manchester.

The company has a £700,000 contract for the construction of a print hall for the Huddersfield Examiner; and a further £650,000 order for extensions and alterations at British Car Auction's premises next to the M62.

Kirkintilloch retail complex

SIR ROBERT ALPINE & SONS has been awarded a £6m contract by Abacus Developments to build the Regent Centre, a two-storey retail development in Kirkintilloch, Strathclyde. The contract includes construction of premises for the Bank of Scotland.

Built on a sloping site which required substantial ground works and a retaining wall, the two-storey retail centre will be of steel-frame construction on concrete pad foundations.

The external finish of stone-faced blockwork and slate covered roofs over part of the development will give a traditional appearance. The supermarket will have a roof-level car park.

Built in the form of a "V", two enclosed and centrally heated shopping malls will provide 7950 sq.metres of retail accommodation on two levels. This will comprise 32 shop units, a supermarket, and a restaurant.

Contained within a glazed atrium, where the malls converge, an escalator will provide access to the food court and supermarket on the upper level, and a lift will carry passengers from the roof-top car park to both floors. The project is due for completion in March 1990.

Citizen's factory in Scunthorpe

SHEPHERD has been awarded the £2m contract to design and build Citizen Manufacturing (UK)'s Kingsway, Scunthorpe, plant for project manager, Shimizu (UK). The contract is to be completed in less than seven months. The factory will make computer printers.

Shepherd's contract covers building a 48,400 sq ft factory and a two-storey block to provide 19,400 sq ft of office accommodation, together with car parking and landscaping. The plant has been designed to facilitate future expansion when required.

Work on site has started for completion at the end of October.

Waterfront improved

KIER INTERNATIONAL has been awarded a £2.57m contract by the Government of St. Lucia for the development of the waterfront in Castries, the capital.

Finance has been arranged by Kier Projects and is being provided by Midland Bank with an ECGD supported loan.

The nine-month project, scheduled for completion in December, comprises fitting out a Government office, reconstruction of the seawall using sheet piling, building a composite steel bridge across a small creek, and surface water drainage.

Development at Peterborough

KIER EAST ANGLIA has been awarded a £5.6m contract by Speyhawk Land and Estates for its Rivergate retail development in Peterborough.

The work comprises construction of 25 small retail units with sales accommodation on the ground floor and sales/storage accommodation on the first floor, all grouped around a covered arcade, together with three larger retail units of single-storey construction.

Included is construction of a service road, 500 space car park, three service yards, and external paving, including the pedestrianisation of lower Bridge Street and works to the riverbank walkway on the north bank of the River Nene.

The work includes diversion by the Eastern Electricity Board of a 11 kv electricity cable below the new service road and across a new service bridge over the River.

Construction of the small retail units at the Bourges Boulevard/Bridge Street corner of the site incorporates a listed building which is to be retained and refurbished under the contract and the new units on either side are to be constructed so that their elevations incorporate architectural features in sympathy with those of the listed building and other Bridge Street properties and include part rendered facades, tiled mansard roofs and timber windows.

Work has started and is expected to take 12 months.

DIARY DATES

PARLIAMENTARY

TODAY

Commons: Finance (No 2) Bill, committee stage.

Lords: Local Government Finance Bill, second reading.

Select committees: Public Accounts: subject, management of the NHS estate. Witness: Mr L. H. Peach, chief executive, NHS Management Board. (Room 16, 4.45 pm.)

Televising of proceedings of the House. Witnesses: BBC, IBA (Room 8, 6 pm.)

TOMORROW

Commons: Finance (No 2) Bill, committee stage. Motion on the Control of Misleading Advertisements Regulations.

Lords: Education Reform Bill, committee stage.

Dartford-Thurrock Crossing Bill, committee stage.

Licensing Bill, consideration of Commons amendments.

Select committees: Transport: subject, air traffic control safety. Witnesses: Institute of Professional Civil Servants and British Airline Pilots Association. (Room 17, 4.15 pm.)

Committee on a private bill: Hampshire (Lyndhurst bypass). (Room 6, 10.30 am.)

WEDNESDAY

Commons: Opposition debate: "The Crisis in Housing."

Motion on EC proposal on the approximation of indirect taxation.

Opposed private business from 7 pm.

Lords: Short debate on conditions of employment of NHS nursing staff.

Short debate on telemessages sent by those who have a telephone number.

Consumer Arbitration Agreement Bill, second reading.

Question to Government on action to remedy unemployment in west and north Belfast.

Select committees: Foreign Affairs: subject, the political impact of arms control and disarmament. Witnesses: Foreign Office and Ministry of Defence officials. (Room 20, 10.30 am.)

Trade and Industry: subject, British Aerospace and Rover merger. Witnesses: Mr Graham Day and Professor Roland Smith. (Room 15, 10.30 am).

Energy: subject, electricity privatisation. Witnesses: Representatives from the Electricity Supply Trade Union Council. (Room 8, 11 am.)

Employment: subject, urban development corporations. Witness: Southwark London borough council. (Room 8, 4.15 pm.)

Foreign Affairs: subject, the political impact of arms control and disarmament. Witness: Professor Lawrence Freedman. (Room 7, 4.15 pm.)

Public Accounts: subject, financial problems at university. Witnesses: Sir David Hancock, Department of Education and Sir Peter Swinnerton-Dyer, chairman, University Grants Committee. (Room 16, 4.15 pm.)

Social Services: subject, resourcing the NHS. Witnesses: Royal College of Nursing, National Union of Public Employees and Confederation of Health Service Employees. (Room 21, 4.15 pm.)

Transport: subject, airline competition: CRS. Witnesses: Guild of Business Travel Agents and Consumers' Association. (Room 17, 4.15 pm.)

Treasury and Civil Service: subject, future financing of the Community. Witness: Mr Peter Brooke MP. (Room 15, 4.30 pm.)

Committee on a private bill: Hampshire (Lyndhurst bypass). (Room 6, 10.30 am.)

THURSDAY

Commons: Debate on prisons.

Motion on European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (Immunities and Privileges) Order.

Opposed private business from 7 pm.

Lords: Education Reform Bill, committee.

Motions for approval on Weights and Measures (Knitting Yarns) and Housing Defects (Reinstatement Grant) Orders.

Select committees: Agriculture: subject, Chernobyl, the Government's reaction. Witnesses: Ministry of Agriculture, Department of Agriculture and Fisheries for Scotland and Welsh Office. (Room 16, 10.45 am.)

Committee on a private bill: Hampshire (Lyndhurst bypass). (Room 6, 10.30 am).

FRIDAY

Commons: Private members' bills.

FINANCIAL

TODAY

COMPANY MEETINGS—

Black (A & C), 35 Bedford Row, W.C., 12.00

Davies & Metcalfe, Injector Works, Romiley, Stockport, Cheshire, 11.30

Lopex, Savoy Hotel, Strand, W.C., 12.00

Matthews (Bernard), Maids Head Hotel, Norwich, 12.00

Merchants Trust, 10 Fenchurch Street, E.C., 12.45

Sintrom, Howard Hotel, Temple Place, W.C., 12.00

UTC, Howard Hotel, Temple Place, W.C., 12.00

BOARD MEETINGS—

Finals:

Hunting Assoc.

Sears

Stratton Inv. Tst.

Interims:

Cramphorn

Kunick

DIVIDEND AND INTEREST PAYMENTS—

Anglo American Industrial Corp 180cts

Arlington Securities 2.8p

Bensons Crisps 0.5p

Bluebird Toys 6.205p

Church & Co 8.5p

Clarks (T.) 2.3725p

Gent (S.R.) 0.5p

Laidlaw Thomson 3.25p

Oliver (George)(Footwear) 10.3p

Do. "A" Nn-Vtg 10.3p

Ramus Holdings 2p

Second Market Investment 0.35p

Standard Chartered Und Prim Cap FRN $365.49

Tyne Tees Television 20p

Wates City of London 2.03p

TOMORROW

COMPANY MEETINGS—

Bredero Properties, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 11.45

British Aerospace, London Marriott Hotel, W., 3.00

Edmond Holdings, Great Northern Hotel, Station Approach, Peterborough, 11.30

Hay (Norman), Berkley Arms Hotel, Bath Road, Cranford, Middlesex, 11.00

Ingham (George), Prospect Mill, Greetland, 12.00

Jacksons Bourne End, Barbican Centre, E.C., 12.00

Norfolk Capital Group, Butchers Hall, 1 Bartholomew Close, E.C., 10.00

Pentland Industries, Pentland Centre, Lakeside, Squires Lane, Finchley, N., 10.00

Smith & Nephew, Grosvenor House Hotel, Park Lane, W., 11.00

Technology Project Services, 120 Cheapside, E.C., 12.00

BOARD MEETINGS—

Finals:

Centreway Inds.

Centreway Trust

England (J.)

King & Shaxson

Runciman (Walter)

Smith St. Aubyn

Verson Intl. Group

Vivat Hldgs.

Warner Howard Group

Interims:

Titon

DIVIDEND AND INTEREST PAYMENTS—

American Express 18cts

Coates Bros 5.5p

Do. "A" (Non-Vtg) 5.5p

Daniels (S.) 2p

De Beers Consolidated Mines Dfd 82.5cts

Do. "S" 82.5cts

Exchequer 10½pc 1988 5.25pc

Gotaas-Larsen Shipping Corp 14cts

Holland Airlines Finance NV 12¼pc Gtd Bds 1991 6.125pc

Hongkong & Shanghai Banking Corp HK30.26

Ingham (George) 2p

Norish 7.3p

WEDNESDAY MAY 11

COMPANY MEETINGS—

Antler, North Court, Packington Park, Warwickshire, 3.30

Aurora, Cutlers' Hall, Sheffield, 12.30

BHH, Newstead House, Alderflat Drive, Trentham, Stoke on Trent, 11.00

Brent Chemicals International, Sheraton Skyline Hotel, Bath Road, Hayes, Middlesex, 12.15

CCF Group, Coopers Hall, 13 Devonshire Square, E.C., 12.00

Catalyst Communications, 125 Mortlake High Street, S.W., 12.00

Candover Investments, Howard Hotel, Temple Place, W.C., 12.00

Clarke, Nickolls & Coombs, Howard Hotel, Temple Place, W.C., 12.00

Clyde Petroleum, Holiday Inn, Glasgow, 12.00

Estates & General Inv Tst, Grosvenor House, Park Lane, W., 12.30

Instem, Savoy Hotel, Strand, W.C., 10.30

Kwik-Fit, Waldorf Hotel, W.C., 12.00

Monotype Corporation, Great Eastern Hotel, Liverpool Street, E.C., 12.00

Phicom, 25 Copthall Avenue, E.C., 12.00

Ptarmigan, 1 King Street, Manchester, 10.15

Rentoldi, Felcourt, East Grinstead, West Sussex, 12.00

Royal Dutch Petroleum, Shell Centre, S.E., 11.30

Ryan International, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 12.00

Schroders, 120 Cheapside, E.C., 12.00

Spirax-Sarco Engineering, Queens Hotel, Cheltenham, 3.00

Sun Life Assurance, Saddler's Hall, Gutter Lane, E.C., 12.00

Ultramar, Savoy Hotel, Strand, W.C., 11.30

Wembley, Wembley Conference Centre, Wembley, Middlesex, 10.00

Wills Group, Barrington House, 59-67 Gresham Street, E.C., 11.15

Wolstenholme Rink, Last Drop Hotel, Bromley Cross, Bolton, 12.00

World of Leather, Woolgate House, Coleman Street, E.C., 12.00

BOARD MEETINGS—

Finals:

City of Oxford Inv. Tst.

Chelsea Artisans

External Inv. Tst.

Fairbriar

Harrison & Crosfield

Local London Group

Marks & Spencer

Parrish

South African Breweries

Interims:

Assoc. Paper Inds.

Commercial Union

Grand Metropolitan

Stakis

TR Portfolio Selection

Tiger Oats

DIVIDEND AND INTEREST PAYMENTS—

Allda Hldgs 6.75p

Britannia Security 0.9p

Consolidated Gold Fields 10p

GC Flooring & Furnishings 0.8p

Jacob (W. & R.) 5.4p

Midland Bank Subord Flg Rate Nts 2001 £115.73

North Housing Association 8¼pc Gtd Ln 2037 5.606p

Ransomes Sims & Jefferies 5.2p

Scholes (George H.) 5.5p

Wolstenholme Rink 6.25p

THURSDAY MAY 12

COMPANY MEETINGS—

Alpine Soft Drinks, Strathallan Thistle Hotel, Hagley Road, Edgbaston, Birmingham, 3.00

Appleyard, Parkway Hotel, Otley Road, Leeds, 3.00

Blackwood Hodge, Painters' Hall, 9 Little Trinity Lane, E.C., 11.10

British Mohair, Victoria Hotel, Bridge Street, Bradford, 12.00

Bunzl, Whitbread Brewery, Chiswell Street, E.C. 12.00

Cambridge Electronic Industries, Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 12.00

Capital & Regional Properties, Goring Hotel, Beeston Place, S.W., 12.00

Corah, Burleys Way, Leicester, 12.00

Davidson Pearce, IBA Conference Hall, 70 Brompton Road, S.W., 12.00

Guinness, Hilton Hotel, Park Lane, W., 10.00

Iceland Frozen Foods, Second Avenue, Deeside Industrial Park, Deeside, 12.00

Jacobs (John I), Clifton-Ford Hotel, Welbeck Street, W., 11.30

Jerome (S.), Post House, Bramhope, Leeds, 12.30

Musterlin Group, Randolph Hotel, Oxford, 12.00

New London Properties, Hilton Hotel, Park Lane, W., 12.30

Ruberoid, Dorchester Hotel, Park Lane, W., 12.15

Standard Chartered, Connaught Rooms, Great Queen Street, W.C., 12.00

Stat-Plus, 11, Greenleigh Park, Prince George's Road, S.W., 12.00

T & N, Ramada Renaissance Hotel, Manchester, 12.00

BOARD MEETINGS—

Finals:

Hambros Inv. Tst.

London Atlantic Inv. Tst.

Vaux Group

Whitbread

Interims:

Consentric

English China Clays

Priest Marians

United Scientific

DIVIDEND AND INTEREST PAYMENTS—

Aurora 2.15p

Bancomer SA Subord Flg Rate Nts 1988-90 $116.50

Beaufort Group 2.8p

Brent Chemicals Intl 4.1p

Bryant Group 1.2p

CRH 2.64p

Candover Investments 6p

Chase Manhattan Corp Flg Rate Subord Nts 2000 $170.31

Derwent Valley 4.3176p

EBC Group 4.78p

Export-Import Bank of Korea Flg Rate Nts 1996 $368.66

First Chicago Corp Flg Rate Sub Cap Nts Feb 1997 $173.44

Italy (Republic of) Flg Rate 1994 $379.17

Johnson Group Cleaners 14.3p

Leumi Intl Invs NV GTd Flg Rate Nts "C" 1997 $38.86

Matthews (Bernard) 1.125p

Rentokil 2.075p

Shandwick 2p

Steel-Burrill Jones 7.3p

Wells Fargo Flg Rate Sub Cap Nts 1998 $171.58

FRIDAY MAY 13

COMPANY MEETINGS—

AAF, 131, Finsbury Pavement, Moorgate, E.C., 11.00

Brent Walker, Butchers Hall, 87, Bartholomew Close, E.C., 10.00

Britannic Assurance, Moor Green, Moseley, Birmingham, 12.00

GKN, Intercontinental Hotel, Hyde Park Corner, W., 11.45

Metal Closures, Bromford Lane, West Bromwich, West Midlands, 12.00

SPP, Bakers Hall, Harp Lane, E.C., 11.00

BOARD MEETINGS—

Interims:

Crystalate

Imperial Cold Storage

DIVIDEND AND INTEREST PAYMENTS—

AAF Investment Corp 3.6p

Alva Investment Tst 1.3p

Armitage Bros 7½pc 1st Mtg Deb 1986-89 3p

BBA Group 2.8p

Brunswick Corp 9cts

Courtney,Pope (Hldgs) 2.5p

Expamet Intl 4.5p

Falcon Inds 10pc Cum Prf 20p

Ferry Pickering 1.9p

Guthrie Corp 3.8p

Home Federal Savings & Loan Assoc 5cts

Jerome (S.) & Sons 4.5p

Korea Exchange Bank Flg Rate Nts 2000 $365.49

Lowe Howard-Spink & Bell 6.6p

National Westminster Finance BV Junior Gtd Flg Rate Nts $199.06

Royal Trust Dollar Income Fund Ptg Red Prf 2.5cts

Ruberoid 3.3p

Schroders 10.5p

Do. Non-Vtg 10.5p

Scottish American Invs 4pc Irrd Deb 2pc

TR Industrial & General Tst 3½pc Deb Red 1.75pc

Tay Homes 2.07p

Treasury 3pc 1991 1.5pc

United Wire 1.75p

Wills Group 2p

SATURDAY MAY 14

DIVIDEND AND INTEREST PAYMENTS—

Investors Capital Tst 4pc Deb Red 2pc

Scottish Eastern Inv Tst 4pc Perp Deb 2pc

Do. 4pc Deb (Red) 2pc

SUNDAY MAY 15

DIVIDEND AND INTEREST PAYMENTS—

Abbott Labs 30cts

Alliance Tst 4½pc Deb Red after 15/5/98 2.25pc

Barclays Bank 8¼pc Uns Cap Ln 1986-93 4.125pc

Do. 16pc Uns Cap Ln 2002-07 8pc

British Sidac 6pc Deb 1985-90 3pc

Capital Variable Rate 1990 3.21p

Chase Manhattan Corp 54cts

Colgate-Palmolive 37cts

Conversion 10pc 1996 5pc

Do. 9¾pc 2006 4.875pc

Exchequer 10¼pc Cnv 1989 5.125pc

Do. 13¼pc Ln 1996 6.625pc

F & C Smaller Cos 5pc Cum Prf 2.1p

Forth Ports Authority 3¼pc Funded Debt 1.625pc

Gates Rubber Co 4¼pc Red Deb 2.125pc

Glasgow Corp 3½pc Irrd 1.75pc

Do. Gas 6¾pc Ann (Perp) 3.375pc

Do. Gas 9pc Ann (Perp) 4.5pc

Do. Waterworks Funded Debt 4pc 2pc

Do. Waterworks Funded Debt 3½pc 1.75pc

Hambros Inv Tst 5pc Cum Prf 1.75p

Hamlyn Milling 5pc Deb 1967-97 2.5pc

Inter-American Development Bank 9¾pc Ln 2015 4.875pc

Scottish Mortgage 4½pc Irrd Deb 2.25pc

Second Alliance Tst 4½pc Deb (1958) 2.25pc

Securities Trust of Scotland 7pc Deb 1988-93 2.4p

Standard Life Assurance 5pc Perp 2.5pc

TSB Gilt Fund Ptg Red Prf 1p (Class "A" Ptg Red Prf) 3p

Do. Ptg Red Prf 1p (Class "B" Ptg Red Prf) 3p

Treasury 3pc 1989 1.5pc

Do. 12¾pc 1995 6.375pc

Trade Fairs and Exhibitions: UK

Current
British Craft Trade Fair (until May 10) (0282 867153)
Harrogate

May 10-12
International Chilled Food Fair (01-727 1929)
NEC, Birmingham

May 10-13
International Telecommunication and Information Technology Exhibition - COMMUNICATIONS (021-705 6707)
NEC, Birmingham

May 15
Antique and Collectors Fair (01-883 7061)
Alexandra Palace

May 15-19
Shopex International and Point of Sale at SHOPEX (01-868 4499)
Earls Court

May 24-27
Chelsea Flower Show (01-834 4333)
Royal Hospital

June 7-9
International Services and Equipment for Aircraft and Airport Operators Exhibition - AIRPORT (0202 304641)
NEC, Birmingham

June 12-15
Business to Business Exhibition (01-729 0677)
Business Design Centre, London

June 16-18
Personal Investment Marketing Show and Conference - PIMS (01-948 5166)
NEC, Birmingham

June 19-22
Royal Highland Show (031-333 2444)
Exbn & Trade Centre, Edinburgh

Overseas Exhibitions

Current
International Construction & Material Exhibition - CONSTRUCT (until May 12) (01- 236 2399)
Shanghai

May 17-19
European Professional Investors & Financial Services Exhibition - MONEY EUROPA (0403 211798)
Brussels

May 18-26
International Spring Fair (Technical) - BNV (021- 454 3385)
Budapest

June 5-8
International Wallpapers, Wallcoverings, Furnishing Textiles and Household Linen Exhibition - PARITEX (01-225 5566)
Paris

June 8-12
International Wine Exhibition - VINOVA (01-977 4551)
Vienna

June 11-12
National Country Fair (Dublin 338269)
Limerick

June 20-23
Pacific Transport Freight Distribution Exhibition and Conference (01-642 7686)
Singapore

June 21-24
International Jewellery and Gemstones Fair - INTER-JEWEL (02403 29406)
Hong Kong

June 25-July 1
Intrnational Chemical Fair - INCHEBA (01-378 7778)
Bratislava

Business and management conferences

May 9-10
Financial Times Conferences: Business with Spain (01- 925 2323)
Madrid

May 11
IVCA: The use of film and video in training (01-580 0962)
C.F.S.C. Centre, London

DTI: Turkey - the tourism boom and British enterprise (01-881 1284)
RIBA, London

May 12
IPS Training: Varying contracts of employment — the new rules (01-354 5858)
Royal Westminster Hotel, London

May 13
The Economist: The marketing of marketing services (01-839 7000)
Marriott Hotel, London

May 17-19
Money Events International: Europe - one complete market; the way ahead for financial services (073085 711)
Sheraton Hotel, Brussels

May 17-20
IMRA/EVAF: The changing face of information - implications for business and industrial marketing research (0543 263448)
Holiday Inn, Bristol

May 20
HS Conference Studies: Latest developments in the art and practice of financing property - getting to grips with the market (01-935 2382)
Cafe Royal, London

May 25-27
EVCA in association with Financial Times Conferences: Venture Symposium 88 - The internationalisation of venture capital (01-925 2323)
Hotel Inter-Continental, London

June 8-9
Dataquest Industry Conference: Planning and positioning for the 90s (01-353 8807)
Gleneagles Hotel, Scotland

June 13-14
Financial Times World Gold Conference (01-925 2323)
Vienna

June 21-22
Financial Times/National Bank of Hungary: Doing business with Eastern Europe (01-925 2323)
Budapest

June 23
The Chartered Institute of Management Accountants: Management of company turnaround (01-637 2311)
63 Portland Place, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

THE MONDAY PAGE

Explaining away the US deficit

ANTHONY HARRIS
in Washington

BACK IN 1981, at the dawn of Reaganomics, Mr Paul Craig Roberts came to address a gilts market conference in London. He was at that time the official supply-sider in Mr Donald Regan's US Treasury team, balancing the monetarism of Mr Beryl Sprinkel and the expenditure cutting of Mr David Stockman. Three of these four men are now out of office, monetarism has officially been shelved, and the Budget never was cut.

In that lost era, though, the whole team was convinced that it had the secret of economic liberation, and was anxious to evangelise. Mr Roberts was the most outspoken preacher, and was in lectern-thumping form in London. He accused the British investment community of being hopelessly stick-in-the-mud.

What they failed to understand, he said, was that fiscal deficits don't matter. A US deficit would be a trivial down payment on the great supply-side revolution which would soon create a surge of revenue. He was practically laughed off the platform, and has been pretty lukewarm about Thatcherism ever since.

He has changed his tune about deficits, though. In his recent writings he has been much concerned to explain how the US fiscal deficit came about. It seems that it was not so much a calculated down-payment as a horrible surprise. His account of who miscalculated what changes from time to time. When Mr Paul Volcker was still in charge at the Fed, it was his fault: over-tight monetary policy had provoked an unnecessary and unexpected recession; now he blames an unforecast drop in inflation, which caused revenues to fall short.

The details do not matter much. Nobody outside the US believed the official US forecasts of spending and revenue at the time, even if Mr Roberts and his colleagues did; and if they thought that the deficit was important, they have had nearly six years to tackle it. It is interesting, though, that he is going to such trouble to try to explain it away. When Mr Paul Craig Roberts is a little ashamed of the deficit, it is clear that most Americans regard it as a disaster, and since the October crash it is clear that they do.

Ordinary voters on phone-in programmes talk like so many gilts brokers, and American politicians are positively obsessed with the subject. The urgency of cutting the deficit is the one point on which the two parties in the Joint Economic Committee of Congress agree in their recent report, and everyone assumes that the bi-partisan Commission which is now studying the question will recommend a pretty unpleasant cure.

While finance ministers in all the other industrialised countries will certainly welcome this hair-shirt tendency, if only because they have been saying the same thing for years, it is not clear what they are worried about. Not only is the US economy doing a good deal better than most forecasters expected quite recently, but so are the European and Japanese economies.

Meanwhile, the composition of US growth has improved out of recognition. Consumers are being rather cautious in their spending, now that the demand for cars (stimulated by an endless price-cutting campaign) appears to be satisfied. This was confirmed last week in the reports from the regional Federal Reserve banks, known as the Tan Book, which is a good deal more up-to-date than the official statistics. Exports and investment are making most of the running - a combination which used to seem, to a whole succession of British Chancellors, as desirable as the Philosopher's Stone, and as unlikely to be seen in real life. As long as things are going so well, it would seem perverse to change policy drastically.

Some readers may think that I am simply commending sin because it is enjoyable; but in fact there are good economic reasons for thinking that worry about the US fiscal deficit is overdone. They were spelled out in some detail in November, just when the fiscal Puritans were claiming that the crash had proved their point beyond contention, by Professor Willem Buiter, who has done more to look beyond the crude Budget numbers to the economic meaning of deficits than anyone else.

In a report on his current work, he pointed out to the Centre for Economic Policy Research that the US deficit, when measured in a consistent way, is quite normal by the standards of other countries. This is because in the US the Federal deficit is bigger than the whole public sector deficit, while in most other countries (except West Germany) it is the other way round. It is private saving which has looked low, and this does argue for some reduction in Government borrowing; but Buiter argued that this should be quite modest and gradual if the risk of a world recession was to be avoided.

As far as personal saving is concerned, this is probably a passing phase; as a Governor of the Fed pointed out to me recently, American citizens do not tend to die in debt, or fail to provide for their children. Indeed it already seems that as the American baby-boomers reach middle age, they are tending to save more. It is true that the Federal government does much saving on behalf of the US citizen through the social security system, and some analysts have argued that the projected deficit is much bigger than it looks, because the surplus of the social security trust funds is netted out of it. But what would the British deficit be, under the reputedly prudent Mrs Thatcher, if liabilities to future pensioners were fully funded?

American companies are another matter; they have never been much inclined to hoard cash, and during the take-over fever of the 1980s they have learned to regard cash reserves as a reckless temptation to bidders. Their balance sheets are in a terrible state as a result.

However, Congressional sentiment is now strongly in favour of regulating the markets again, and is especially hostile to corporate raiders. If managements feel safe again, we may see a rather slow-motion replay of the great British drive to strengthen balance sheets in the early 1980s. This could have a far stronger effect on the US trade balance than any likely change in fiscal policy, and could even provoke a recession.

Even those who insist that fiscal policy must be judged quite apart from it private sector context should pay more attention to how the bottom line is reached. Even if the Administration has failed to control its deficit, it can claim a repentant's credit for the improvement in economic behaviour. It has brought the dollar back to a defensible parity, and replaced Mr Regan's disastrous tax reform of 1981 with Mr Baker's rather good one of 1986. As a member of the Regan team, Mr Paul Craig Roberts might try apologising for something more important than the deficit.

INTERVIEW

First among equals

Andrew Fisher and Haig Simonian meet Alfred Herrhausen, executive chairman of Deutsche Bank

ON WEDNESDAY, for the first time in 12 years, West Germany's largest commercial bank will have one man in its top job. Alfred Herrhausen, a slim and youthful 58-year-old, will become sole executive chairman of Deutsche Bank, having shared the position for the last three years with Wilhelm Christians, who will retire at the annual meeting. From then, Herrhausen will face the limelight alone.

The bank is at pains to stress that its management board chairmen are only the first among equals on its 12-member board. But its decision to let Herrhausen continue alone reverts to a pattern not seen since Franz Ulrich had the job to himself up to 1976. Inevitably, it makes him the focus of close attention in Germany's financial and industrial scene.

In his modern office, on the 30th floor of the bank's Frankfurt headquarters, Herrhausen was in outgoing and affable mood last week when speaking of how he intends to make it more international. At the same time, he plans to adopt a more accessible management style, one in tune with today's fast-moving business conditions. The aim is, he says, "to make Deutsche Bank one of the biggest and most significant global banks."

With total assets of DM268bn, Deutsche Bank is number 14 in the world. But Herrhausen has ambitious plans. What is more, he believes in talking plainly about them, in contrast to the image of secrecy usually associated with the bank.

He does not, for one thing, shirk the question of whether German banks, with their extensive holdings in industry, are too powerful. (Deutsche, for instance, owns 28 per cent of Daimler-Benz.) When asked about this, he says decisively: "I react positively. It is wrong to say we aren't powerful. Whoever says that should either know better or is not telling the truth. We are a powerful institution, like others. The question isn't whether the banks have power, but what they do with it. My ambition is that we should use our power responsibly."

He sees a greater ease and assertiveness in discussing its activities as vital for the bank in the late 1980s. "We are living in a more open society," he says. "To realise our strategy, we need the acceptance of the public and our colleagues and employees in the bank." In the past, "we have not done all that we could have done (to inform people). But times are different now." In language that might come from a consultants' manual, he adds: "We must say what we think, we must do what we say, and we must be what we say."

What will that mean in practice? Even before Herrhausen takes the reins single-handedly, the bank has started to set itself apart from many of its rivals. Confirming suggestions that his undisputed ascendancy signals a change of image, he has chosen an original way to further his aim of developing the bank's world importance.

PERSONAL FILE

- 1930 Born in Essen
- 1955 Doctorate at Cologne University
- 1952 Joined Ruhrgas in Essen
- 1955 Moved to VEW electric utility
- 1967 VEW finance director
- 1970 Joined Deutsche Bank as deputy board member
- 1971 Full board member of bank
- 1985 Joint management board chairman of Deutsche Bank
- 1988 Sole chairman of Deutsche Bank (from May 11)

His public hints at a moratorium for some Third World debtors have already raised eyebrows. But of more direct significance for the bank's future is Herrhausen's belief that consultancy is the vital third element in the future alongside commercial and investment banking for a German universal bank such as Deutsche.

It has already bought Munich-based Roland Berger, a leading management consultancy, and is developing in other areas where finance and advice go together. These include property management and leisure activities such as golf, a costly sport in Germany, for wealthy individuals.

But it is a possible leap into insurance which has caused the greatest stir. Leading German insurers like Allianz and Munich Reinsurance are as powerful as the banks, but more reserved. "We are still looking at this very carefully," says Herrhausen. In line with his belief in extensive thought and analysis before decisions — "it can be wrong to decide on complex problems too quickly" — a careful study about setting up in insurance is now under way, with a decision possible after the summer.

With deregulation in the air and talk of freer competition in Germany, he insists that "there can't be artificial barriers" between banking and insurance. In the long run, the bank would clearly compete with the insurers, though "in the short run, we could be partners." Germany's ageing and declining population means private life insurance and pension schemes should become more important as the state sector comes under financial pressure.

Preparing for 1992 is also very much on his mind. "We strongly welcome the political goal" of a free European market, he says. Buying Banca d'America e d'Italia in late 1986 was "the first visible step." It also remains one of the biggest.

But the bank is not resting there. It would like to raise its 35 per cent stake in Spain's Banco Comercial Transatlantico. "It all depends on the approval of Spain's central bank," says Herrhausen. So far, the door is closed, but when the authorities finally allow foreign groups to take control of local institutions, "we think we'll be the first bank to make use of this."

France is its other key market in Europe and its "number one target zone," not least because of its economic and political ties with Germany. "We would like to buy something," he says. However, he recognises the political barriers and remains cautious about whether matters will change quickly after yesterday's elections. But the bank has done some discreet homework. "There are not many candidates to buy, but we've already looked at some interesting ones."

Deutsche Bank is already fairly well placed elsewhere in Europe. In Portugal, it has plans to develop MDM, a small merchant bank, which it now controls fully. It would also like to raise its 50 per cent holding in Albert de Bary, a trade financing bank in the Netherlands, but that depends on agreement from Amro, its partner.

Further expansion is also planned in the UK, notably in Scotland. What of its near 5 per cent of Morgan Grenfell, the UK merchant bank, a stake which has been seen by some as the possible starting point for a bid? "We have told Morgan Grenfell we are ready to provide any help they would like, including a participation." But he does not anticipate further developments as long as nothing changes at Morgan Grenfell itself.

In the US, Deutsche Bank, like many others, is waiting for the reform of the Glass-Steagal act which prevents commercial banks from underwriting most securities. Are discussions under way with potential acquisition targets? "It is never too soon for preliminary talks," though no firm plans have yet emerged.

With his extensive contacts with industry, his influential supervisory board seats at companies like Daimler-Benz and Continental tyres, and his close friendship with Chancellor Helmut Kohl, Herrhausen has the potential to become a modern version of Hermann Abs, now 86, the powerful post-war chairman of the bank and a key figure in the Federal Republic's financial and industrial recovery.

Heading Deutsche Bank is not a job that Herrhausen feels is too much for one man, emphasising also that he is working with highly qualified colleagues. But he admits he could often do with more time for his private life. A keen sportsman, he likes cycling and skiing and was once in the national hockey team.

"Of course, you've got to work hard in a job like this. But you must always enjoy the work, then it does not become a burden." He may well find the job of sole chairman more taxing, but insists now: "I don't feel that I am over-stretched, over-burdened, suffer from stress, or cannot master what I need to do."

In the seven years before he reaches the retirement age of 65, Herrhausen will find it harder to limit demands on his time. Apart from his banking and industrial commitments — he played a key role in last year's change of chief executive at Daimler — he has close links to the Bonn political world, not least through his association with the Chancellor.

"Kohl and I have been friendly for many years," he says, when asked if he can be counted a close advisor. He describes their relations as "completely spontaneous." Nor, tactfully, does he align himself with those who have sharply criticised Bonn's argued lack of economic far-sightedness and initiative in recent months.

"The questions that politicians have to deal with today are extremely complex. There are no simple solutions. Some people are always upset by what politicians do and no political decisions ever get full acceptance."

"Sometimes," he admits, "I wish the politicians would show a bit more courage and try to control or shape the supposed *Zeitgeist* (spirit of the times) rather than follow it." But on the whole, he thinks, "the performance of this Government stands up well." One step he does advocate is a lower tax burden for industry, since Germany has some of the highest rates in Europe. He also questions whether German labour costs can continue so high and whether demands for shorter hours are appropriate.

But he is not pessimistic about the German economy. Nor does he think it is too inflexible, noting that talk of Eurosclerosis and Europessimism has disappeared. "I see German industry as being adequately flexible, innovative, creative, and skilful so that it can continue to play a role in world markets. German industry knows what it means to export; it has been forced to do this since the 1950s."

Thus, he adds: "I don't see Germany's status as an industrial country as being in danger," citing its attention to quality, marketing, and training. While Germany has thrown up few big entrepreneurs recently, he emphasises the strength of its medium-sized businesses (Mittelstand). "There is enough innovative strength, energy, and marketing drive." But the maintenance of Germany's strong position cannot be taken for granted, especially with aggressive competition in export markets. He reckons politicians, including Kohl, are aware of this.

At one time, before moving to Deutsche Bank from Vereinigte Elektrizitaetswerke Westfalen (VEW), the Ruhr utility, 18 years ago, Herrhausen briefly toyed with the idea of going into business himself. But now he feels happy with his task at the bank, pointing out that the 1990s will be a fascinating time of change, opportunity and risk. "I don't miss anything." Half-jokingly, he comments: "There is nowhere higher than the top."

Reform of social work training

JUSTINIAN

THE CENTRAL Council for Education and Training in Social Work (CCETSW) last week suffered a stunning rebuff from the Government to its proposals for major reforms in the training of social workers. Under the Council's proposals, costing approximately £40m a year from 1991 onwards, most social workers would have three instead of two years' basic training before qualifying. The council proposes a qualifying diploma in social work (QDSW).

Twenty-seven organisations had indicated to the Government their full support for a minimum period of three years' basic training in social work. Only one organisation — the National Association of Probation Officers — and a handful of individuals were opposed.

Recent child abuse inquiries have identified bad practices by social workers in their handling of cases of suspected child abuse, most of which were traceable to the lack of adequate training in child care.

The Cleveland inquiry report of Mrs Justice Butler-Sloss is due to be handed to the Secretary of State any day now. It, too, is likely to endorse the stentorian tones of social work educators, local authority employers and practitioners that training is a key factor in coping with the increasingly heavy demands made on social services to protect children from abusing parents.

A particularly depressing aspect of social work training is the teaching of law and the assessment of courses in law for social workers. A recent report by four academics in law and social work, called The Law Report, presented a disquieting picture. The study revealed that social work students did not receive the training necessary to equip them for finding the law from textbooks. Few had grasped the framework of the law and seldom did they know the relevant statutes in any detail.

Present-day training arrangements have been overtaken in the last 15 years, when the courses were originally devised. In legislation alone there have been 62 Acts of Parliament since 1972 that have significance for some aspect of social work practice.

The conclusion of the authors of the study is that the training system for social workers has entirely failed to ensure that qualifying social workers know their own legal powers and duties, or that they are able to work professionally and accountably within the framework of the law. Law is only a fragment — though a basic and important one — of the vast range of topics that social workers need to cover in their training.

The Government may find, however, that its own state of ignorance about the law will rebound to the advantage of social workers. Since the early part of this decade, there have been moves within the European Community for the mutual recognition of higher education diplomas. Under the impetus of last year's Single European Act and during the current West German presidency of the Council, the movement for such recognition has gathered pace. In May, 1986, the European Commission produced a draft directive on a general system for the recognition of higher education diplomas awarded on completion of vocational courses of at least three years' duration. By next month the draft will be forwarded to the European Parliament at Strasbourg for approval and will be returned to the Council in Brussels by the end of the year. The aim is to have the directive in operation by January 1 1991.

The directive is general in nature. There will be no exclusions for particular professions, although a minority of member-states still have problems about including teachers and health professions and certain other public sector activities. But the United Kingdom Government has supported the inclusion of teachers and health professions, subject only to satisfactory procedures to maintain standards. "Higher education diploma" is defined as meaning the final qualification necessary to pursue a professional activity. The recognition of diplomas is thus related to professional, rather than academic purposes. Social work training for employment in local authority social services departments is clearly within the directive.

When the directive becomes effective in 1991, the UK will be in breach of the minimum requirement unless the three-year QDSW has been introduced. How then can the Government ensure now that, come 1991, there will be compliance with the directive.

If it is argued that the directive is still only in embryo, and therefore not yet part of European law, it is sufficiently advanced in the European legislative process to be a major factor in any decision-making now relating to social work training. In giving its thumbs-down to CCETSW's proposals, the Government is exposing itself to a challenge in the courts that inadequate or no attention has been paid to the imminent impact of the council directive.

The social work world is sufficiently aroused — its chairman, Professor Berrick Saul of York University described the Government's response as "derisory," and as "a wholly unsatisfactory reply to the overwhelmingly strong case for major change presented by the Council" — that recourse to the courts seems likely.

MANAGEMENT

UK company pensions

Taking a carrot and stick approach

Michael Skapinker on corporate attitudes to liberalising legislation

AMIDST A FLURRY of videos, glossy pamphlets and briefings, managements of British companies are trying to dissuade their employees from leaving their company pension schemes.

Many fear that in July, when employees gain the right to take out private pensions, company schemes will be hit by a significant number of defections.

Some pensions managers, however, like Graham Wright of Courtaulds, the textiles and fibres group, take a more relaxed view. The information brochure the group has sent its employees candidly admits that personal pension policies "may, in some circumstances, provide more than some company schemes."

It adds that "if you are young and leave the company with less than, say, ten years' service, a personal pension policy is likely to be worth more than the Courtaulds pension."

All the same, Wright believes that few employees will actually make their own pension arrangements. He originally thought that the Courtaulds scheme might lose up to 10 per cent of its members. He now thinks the proportion will be closer to 1 or 2 per cent, and certainly no more than 5 per cent. "Most people don't think about their pensions at all," he says.

Those who do decide to opt out of the Courtaulds scheme can return to it whenever they want, provided their health is satisfactory. There is no limit on the number of times they can leave and return.

Legal and General, the financial services group, seems, at first sight, to be even more relaxed about its employees taking up personal pensions. Staff who opt out of Legal and General's non-contributory occupational scheme are being offered a salary increase of between 5 and 10 per cent, depending on their age.

Legal and General also intends to be a major provider of new personal pensions, but Chris Hatry, its pensions director, denies that there are any cynical motives behind the salary offer, or that the group is actively encouraging its employees to opt out of their occupational scheme.

The additional salary, he says, is merely recognition of the fact that employees who opt out of Legal and General's non-contributory scheme would suffer a cut in take-home pay through having to pay a higher rate of national insurance.

Without the offer of a salary increase, he says, the freedom to choose, which the new pensions regime is supposed to offer, would be illusory.

Although younger and more mobile employees might well be better off with a personal pension, "we are not encouraging people to leave our final salary scheme," Hatry says. "We feel, however, that if there's a choice of a real alternative then our final salary scheme becomes more credible. It gives us the opportunity, if we've got a 40 year old joining us, of justifying the final salary scheme as against that additional salary. We feel that that employee would value that choice more than being just sucked in to our scheme."

Aggressive

Other companies, however, are taking a more aggressive approach in trying to dissuade their staff from leaving their occupational schemes. Some, for example, have warned that employees who leave the company scheme will not be allowed to return at all.

Rex Peacock, group pensions manager of the TSB Group, says that his company is banning re-entry "to concentrate employees' minds on the issue."

He says that some "impressionable" employees have already been canvassed by personal pension salesmen. "They may have been approached before they read our literature. Those that I spoke to didn't understand that they would have to contribute (to a personal pension)." The TSB Group's scheme is non-contributory.

"We can't say 'you'd be an absolute fool to leave our scheme because it's non-contributory', but we're trying to prevent people making mistakes in the early stages," he says.

Isn't that a little paternalistic?

No, he says. "There are a lot of people who are very enterprising (about their pensions). But they are quite wrong. I can't see the value for anyone in leaving our scheme."

A survey* of 260 pension schemes, carried out by the Confederation of British Industry in January, found that a significant number of companies were thinking of following the TSB's example and banning re-entry for those who opt out. The survey found that 18 per cent of companies had already decided to place a complete ban on re-entry. Another 25 per cent were considering such a ban.

In addition, 17 per cent said they would refuse to allow employees back into the occupational scheme if they were above a certain age. Another 33 per cent said they were considering imposing an age limit.

W.H.Smith, for example, has decided that employees who opt out of the company scheme will be permitted to return only once, and then only if they are still under 45.

"People can change their minds and realise they've made a mistake," says Sheila Gleig, the company's pensions administration manager. What they cannot do is decide to opt back into the company scheme in the later years of their working lives. "If they're over 45, they shouldn't have opted out in the first place," she says.

Another deterrent that companies are using is the withdrawal of death-in-service benefits from those who leave their schemes. The CBI survey found that as many as 60 per cent of companies intended to deny employees who opted out lump sum death benefits. Another 14 per cent said they were considering doing so.

Only 23 per cent said they would definitely maintain death-in-service benefits for all employees, whether inside or outside the company scheme. But the CBI said that several of these companies intended to reduce the lump sum benefit for those who opted out, possibly to one year's salary rather than two or three years' pay.

One pensions manager describes the denial of death-in-service benefits as "monstrous", adding that he would not want to be responsible for telling widows that the company would not be giving them any money because their late husbands had opted out.

Maurice Oldfield, group pensions executive of Allied-Lyons, however, defends the denial of benefits to non-members of company schemes. "If they opt out they opt out entirely. It's tough but it's not our choice. The government has given individuals this freedom to ignore their dependants."

Apart from the withdrawal of death-in-service payments, the CBI survey found that a large number of companies intended to deny dependants of non-members other benefits, such as widows' and children's pensions.

Of those companies surveyed, 71 per cent said they would definitely deny benefits to the dependants of non-members. An additional 17 per cent said they were thinking of doing so.

Another sanction which employers are using is refusal to contribute anything above the legal minimum to the personal pensions of those who opt out of company schemes.

Only one per cent said they would contribute more than the statutory minimum. Four per cent said they were thinking of doing so. On the other hand, 78 per cent said they would definitely not make any additional contributions and a further 13 per cent said they were unlikely to do so.

Companies are not, however, relying solely on the stick to persuade their employees to stay with occupational schemes. There are several carrots on offer too, including improvements in benefits and a relaxation of requirements for entry into company schemes.

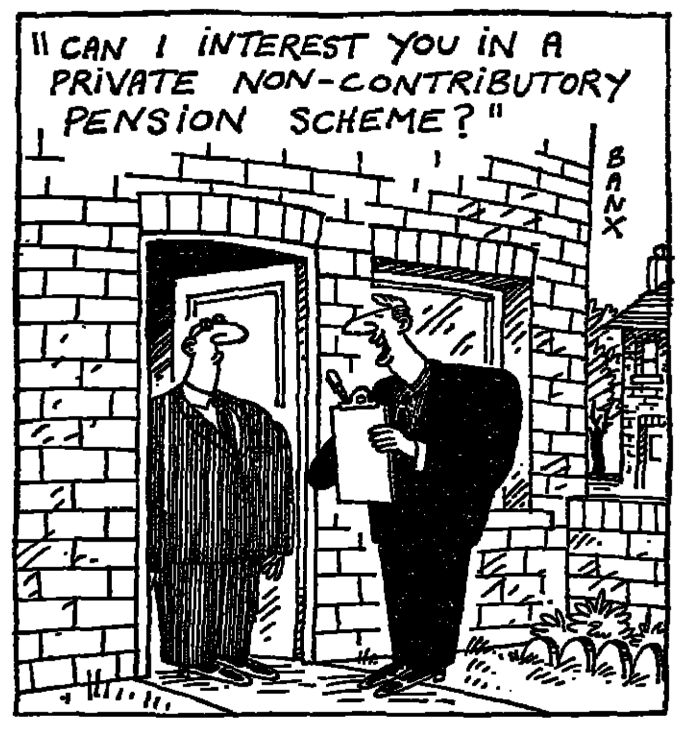
The CBI found that 16 per cent of companies were reducing the minimum age for entry into their schemes and 10 per cent were lowering the minimum length of service required. Seven per cent were admitting part-timers into the scheme.

Several companies also said they were introducing or improving their occupational schemes' death-in-service benefits and dependants' benefits. Five per cent of the companies said their pensions would be made inflation-proof.

Some said they would reduce the level of employees' contributions. A few said they would introduce a non-contributory scheme. Allied-Lyons, for example, has set up a non-contributory scheme alongside its existing contributory scheme.

All new employees will go into the non-contributory scheme. Existing employees have a choice of staying in the existing scheme or switching to the new one. Although the new scheme will produce a lower final pension than the existing scheme, employees will be able to pay additional voluntary contributions in an attempt to make up the difference.

Meeting the Challenge in '88. The CBI Survey of Company Pensions Policy — March 1988. CBI Employment Affairs Directorate, 103 New Oxford Street, London WC1A 1DU. CBI members £10. Non-members £20.



Training

BA's Top Flight path

Michael Skapinker on the airline's Executive Academy

BRITISH AIRWAYS' human resources director Nick Georgiades scribbles furiously as he attempts to explain, through a series of arrows and diagrams, the many educational opportunities his company is offering its employees.

By the time he has finished, his piece of paper is as crowded as the skies above Heathrow Airport.

An arrow taking off from Fundamentals of Supervision, destination Management Academy, is involved in a near miss with an arrow which has just left Open MBA on its way to Senior Management Academy.

There are arrows stacked up above Managing my World and one about to land at Welcome to BA.

Georgiades insists that his courses are actually very easy to understand. They are all part of the company's drive to develop directors and managers for the decades ahead.

BA was privatised last year. Before that, the company had put its front-line staff through a customer service course called Putting People First. Its managers had been through a course called Managing People First.

Apart from these, however, "as a nationalised industry, we didn't do any systematic management development," Georgiades says. Now "it is imperative that we ensure the managerial competence of the airline."

Some of BA's new courses are already under way. The remainder are all due to start later this year. Like a growing number of UK companies, BA has tried to ensure that its management courses fit its own needs.

One set of courses has been designed specifically for BA's future leaders. Participants on these courses, called Top Flight Academies, have to be nominated by their superiors.

The first of these, Top Flight Management Academy, is aimed at promising BA supervisors. Those who complete the two year, part-time course, receive a Diploma in Business Administration from the University of Lancaster. The course has, however, been designed to suit BA's own circumstances.

It will be taught at the company's own residential training facility. Subjects will include customer awareness, developing budgets in an uncertain environment, and identifying BA's customers and looking at what they are doing.

The second course for high flyers, the Top Flight Senior Management Academy, leads to a Masters of Business Administration from Lancaster and has also been designed to meet BA's own needs.

BA says that the MBA course is intended to be the primary route to a senior management position in the company. Applicants for the course, which is also two years part-time, will be interviewed by senior managers and by a psychologist.

Students on the MBA course will study marketing, information technology, finance, organisational behaviour, airline management and business strategy.

The final Top Flight course is called the Executive Academy, and is aimed at BA's future directors and senior general managers. BA directors will nominate 14 managers a year to go on this course.

Those selected will be sent on senior management courses at Harvard, the Massachusetts Institute of Technology, Standford and Insead, the European Business School at Fontainebleau.

The courses will last for up to 12 weeks. Those who go on them will, in most cases, leave their current jobs and take up new posts when they return.

Georgiades concedes that because students on all these courses have to be nominated by their superiors, the company might be failing to identify hidden talent.

For this reason, and to give a wider range of staff access to education, the company is also offering courses which are open to all employees. These range from Managing my World, a course aimed at helping employees plan their careers, to an MBA designed and taught by Bath University.

Applicants to the MBA will not need a first degree to get on to the course. It will be open to 50 students a year, chosen for their motivation, commitment and performance in written tests.

The MBA will be taught on British Airways premises, but apart from some case studies on the airline industry, the course *has not been substantially* changed to suit the company's requirements. "A traditional, plain vanilla MBA" Georgiades calls it, but open to a wider range of people.

Management abstracts

The blocked executive. *L Korn in Across the Board (US), Jan 88 (6 pages)*

Examines the difficulties experienced by executives faced with career blocks arising from their own limitations, their own success, being in the wrong place, being trapped behind their bosses or obstructed by their peers; explores avenues for escape from each kind of situation. Stresses the importance of honest self-appraisal.

Handling employee complaints effectively. *D K Denton in Administrative Management (US), Dec 87 (4 pages)*

Explains how to cope with employee complaints, why they occur, and how to recognise the non-verbal variety. Advises on how to understand employees, and on the need to have up-to-date knowledge on contracts and working conditions, how to explain the rules, and the need to maintain records of complaints. Stresses the importance of controlling emotions, explaining decisions and keeping promises.

Promotional elements in industrial purchase situations. *D W Jackson + others in Journal of Advertising (US), No 4 87 (9 pages)*

Addresses one of the most important and least-explored topics in publicity management — the relative importance of different publicity techniques (such as exhibitions and direct mail), for different product types, different purchase situations (from first-time buyers to re-ordering), and different industries (from pharmaceuticals to aerospace); draws conclusions and is surprisingly thorough for such a broad subject.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Company Notices

RAND MINES LIMITED

DIVIDEND DECLARATION

On Thursday, 5 May 1988, the directors of the company declared dividend No. 97 as an interim dividend in respect of the year ending 30 September 1988 as follows:

Amount (South African currency)	105 cents per share
Last day to register for dividend (and for changes of address or dividend instructions)	Friday, 27 May
Registers closed from to (inclusive)	Saturday, 28 May Sunday, 5 June
Ex-dividend on Johannesburg stock exchange London stock exchange	Monday, 30 May Tuesday, 31 May
Currency conversion date for sterling payments to shareholders paid from London	Monday, 30 May
Dividend warrants posted	Friday, 1 July
Payment date of dividend	Monday, 4 July
Rate of non-resident shareholders tax	15 per cent

Holders of share warrants to bearer are notified that the dividend is payable on or after Monday, 4 July 1988 upon presentation of coupon No. 99. The dividend on a share warrant to bearer will be paid in terms of a further notice to be published by the company's United Kingdom secretaries on or about 3 June, 1988.

The full conditions of payment of this dividend may be inspected at or obtained from the Johannesburg and London offices of the company.

By order of the board
RAND MINES (MINING & SERVICES) LIMITED
Secretaries
per F D W PEACHEY

REGISTERED OFFICE:
15th Floor, The Corner House
63 Fox Street
Johannesburg 2001
(PO Box 62370, Marshalltown, 2107)

SECRETARIES IN THE UNITED KINGDOM:
Charter Consolidated Services Limited
40 Holborn Viaduct
London EC1P 1AJ

UNITED KINGDOM REGISTRARS, TRANSFER AND PAYING AGENTS:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

5 May 1988
(Incorporated in the *Republic of South Africa*)
Registration No. 01/00858/06

Member of the Barlow Rand Group

RAND MINES
BREAKING NEW GROUND EVERY DAY.

COMPAGNIE DE SAINT GOBAIN
Public Company with a capital of F.4.415.585.200,00
Registered Office : "Les Miroirs" 18, avenue d'Alsace 92400 COURBEVOIE
R C S : NANTERRE B 542 039 532
Participating stock April 1984 of ECU 1000 each
Ordinary General Meeting to be held on May 27, 1988
AGENDA

The owners of participating stock april 1984 of ECU 1000 of COMPAGNIE DE SAINT GOBAIN are informed that the General Meeting will be held on May 25, 1988 at 11.45 at the registered office of the Company, "Les Miroirs" 18 avenue d'Alsace in COURBEVOIE (92400). This meeting will enact on the following agenda.
- *Board of directors' report on the company's operations for financial year 1987.*
- Auditors' report on financial year 1987 accounts and elements for fixing the participating stock yield.
- Fixing the income of the masse entitled representatives.
- Powers for formalities.
To attend the meeting the participating stock owners will have to provide a blocking affidavit issued by the trustee and in order to appoint a deputy at the meeting they will have to add a proxy to this affidavit.

The Board of Directors.

ENGELS-HOLLANDSE BELEGGINGS TRUST N.V. (English and Dutch Investment Trust) Established in Amsterdam.
NOTICE is hereby given that the Annual General Meeting of Shareholders will be held on Tuesday 31st May 1988 at 12.00 hours at the office of the Company, Keizersgracht 674, Amsterdam.
Shareholders wishing to attend the general meeting of the Company must Deposit their shares not less than seven days before the meeting with Hollandse Koopmansbank N.V., Keizersgracht 674, Amsterdam or with Hill Samuel and Co. Limited, 45 Beech Street, London EC2P 2LX. A deposit certificate will be issued to such shareholders which, upon surrender, will entitle them to vote at the meeting.
Holders of shares registered with the Company in its Shareholders' Register must inform the Board of Managing Directors in writing at least four days prior to the meeting that they intend to attend the meeting in person or by proxy.
Holders of *Participation Certificates* issued by Royal Exchange Assurance who wish to attend and vote at the meeting must contact the Trustee Department of Royal Exchange Assurance, Coventry House, 3 South Place, London EC2M 2OB at least ten days before the meeting.
Royal Exchange Assurance is prepared to issue a power of attorney for the same number of shares held in trust as the certificate holders shall have deposited with Royal Exchange Assurance.
Copies of the Annual Report and Accounts for the year ended 31st December 1987 and of the Resolutions to be put before the meeting will be available at the offices of the above named.
By order of the Board
HOLLANDSE KOOPMANSBANK N.V.
MANAGEMENT
AMSTERDAM
9th May 1988

Company Notices

EUROPEAN INVESTMENT BANK
DKK 250,000,000
12% Bonds due April 6, 1995
In accordance with the terms and conditions of the bonds notice is hereby given that no bonds were purchased under the purchase fund during the 12 month period from April 6, 1987 to April 5, 1988. As of April 6, 1988 25,000 bonds were outstanding in the aggregate principal amount of DKK 250,000,000.
May 9, 1988 By Sparekassen SDS Purchase Fund Agent

Public Notices

CRAMP OF CORNWALL
Registered number: 267258
Nature of business: Book Binding.
Trade classification: Paper, Printing and Publishing
Date of appointment of joint administrative receivers: 28 April 1988
Name of person appointing the joint administrative receivers: Lloyds Bank Plc.
CHRISTOPHER JOHN BARLOW and ROBERT WILLIAM BIRCHALL
Joint Administrative Receivers
(Office holder nos 1080 and 0839)
Cork Gully
Mutley House
28 Princess Street
Plymouth
PL1 2HE.

Legal Notices

NOTICE TO ALL HOLDERS OF HSN'S EURODOLLAR 5½% CONVERTIBLE SUBORDINATED DEBENTURES DUE APRIL 22, 2002

The Supplemental Indenture dated May 15, 1987 ("Supplemental Indenture") by and between Home Shopping Network, Inc. ("HSN") and Bankers Trust Company ("Bankers Trust") relating to HSN's issuance and sale of $100 million principal amount of its Eurodollar 5½% Convertible Subordinated Debentures due April 22, 2002 (the "Convertible Debentures") provides that the conversion price of the Convertible Debentures will be reset on April 22, 1988 to the lower of the current conversion price of $25.80 per share of HSN Common Stock or 120% of the average of the last reported sale prices of HSN Common Stock during the thirty trading days immediately prior to April 22, 1988. Based upon this formula as specified in the Supplemental Indenture, the reset conversion price of the Convertible Debentures would be $7.05 per share of HSN Common Stock as of April 22, 1988.

On April 18, 1988, however, HSN filed a lawsuit in the U.S. District Court in Tampa, Florida against, among others, Drexel Burnham Lambert Incorporated ("Drexel"), Michael M. Milken ("Milken"), certain other named and unnamed defendants and Bankers Trust as Trustee under the Supplemental Indenture and the Indenture dated April 22, 1988 (the "Indenture"). HSN has requested in the lawsuit that the reset provision contained in the Supplemental Indenture be rescinded and declared null and void on the grounds that, among other things, HSN was fraudulently induced to enter into the Supplemental Indenture after *the closing of the transaction and that HSN received no legal* consideration whatsoever for having entered into the Supplemental Indenture. If HSN should prevail in this lawsuit, the original conversion price of the Convertible Debentures of $25.80 per share of HSN Common Stock may be reinstated.

HSN intends to honor all provisions of the Indenture and the Supplemental Indenture including, without limitation, the reset provision contained in the Supplemental Indenture until such time as a court finally determines whether the Supplemental Indenture should be rescinded and the reset provision nullified. Until such a final determination is made, the Company intends to affix an appropriate *legend to stock certificates representing that number of shares of HSN* Common Stock issued upon conversion of the Convertible Debentures which exceed the number of shares which would have been issued at the original conversion price of $25.80. The legend will identify such shares as ones which may be cancelled in the event that the Company prevails in the lawsuit and the original conversion price of $25.80 per share of HSN Common Stock is reinstated.

HSN wishes to make clear that the Bankers Trust has been named as a party in the above described litigation only for technical reasons in its role as Trustee for the Convertible Debentures.

By Order of Home Shopping Network, Inc.

By Nando DiFilippo, Jr.
Executive Vice President,
General Counsel and Secretary

WOODWARD & BARUGH LIMITED
Registered number: 400233
Nature of business: Precision Sheet Metal Engineers
Trade Classification: Engineering & Allied Industries
Date of appointment of administrative receiver: 22 April 1988
Name of person appointing the administrative receiver: City of Westminster Assurance Company Limited
ROGER WILIAM CORK
Administrative Receiver
(Office holder no 060)
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

IN THE MATTER of PRIZELAUNCH LIMITED (FORMERLY SLEEVEPRINT LIMITED) AND IN THE MATTER OF THE COMPANIES ACT 1948
Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 8th day of July, 1988, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned BRIAN MILLS of BOOTH, WHITE & CO, 1 WARDROBE PLACE, CARTER LANE, ST PAULS, LONDON EC4V 5AJ the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved. DATED this 22ND day of APRIL 1988.

Contracts & Tenders

PROGRAMME DE PRODUCTIVITE 1989/1990

1 - La Societe Cotonnière du Tchad (Cotonchad) invite, par le présent appel d'offres, les candidats admis à concourir à presenter leurs offres sous pli ferme, pour la fourniture des intrants cites ci-apres:
- Insecticides 3 litres/ha
- ● Simple lot No1 = 466 800 litres
  lot No2 = 277 200 litres
- ● Binaire Aphicide lot No3 = 613 240 litres
  lot No4 = 364 160 litres
- ● Bonaire Acaricide lot No5 = 138 600 litres

Insecticides 1 litre/ha
- ● Simple = lot No6 = 155 600 litres
  lot No7 = 92 400 litres
- ● Binaire Aphicide lot No8 = 204 413 litres
  lot No9 = 121 387 litres
- ● Binaire Acaricide lot No10 = 46 200 litres

2 - Les candidats admis a concourir peuvent obtenir des informations supplèmentaires et examiner les dossiers d'appel d'offres dans les bureaux de:
- Direction genèrale de Cotonchad BP - 1116 N'Djamena TLX No5229 KD Telephone: 51-41-32 / 51-20-62
- Direction commerciale Cotonchad Paris - 13 rue de Monceau 75008 Paris: Telex No 644 046 F. Telephone 43-59-53-95
- Ambassade du Tchad a Paris: 65 rue des Belles Feuilles 75016 Paris.

3 - Tout candidat admis a concourir, interesse par le présent avis, pourra acheter un jeu complet de documents d'appel d'offres, sur demande écrite aux services cites ci-dessus et moyennant paiement d'un montant non remboursable de 30.000 F.CFA (600 FF.)

4 - Toutes les offres doivent être accompagnées d'une caution de soumission d'un montant d'au moins deux (2) pour cent de la valeur de chaque lot pour lequel une proposition est faite, cette caution doit etre déposée comme partie integrante de l'offre a l'adresse ci-apres au plus tard le 15 Juin 1988 sauf modification de date qui sera annoncée officiellement aux candidats.
Les offres seront reçues a la direction genèrale de Cotonchad B.P. - 1116 N'Djamena Tchad.
Les dossiers seront disponibles aux adresses ci-dessus mentionnées à compter du 2 Mai 1988.

PROGRAMME DE PRODUCTIVITE 1989/1990

1- La Société Cotonnière du Tchad (Cotontchad) invite, par le present appel d'offres, les candidats admis a concourir a présenter leurs offres sous pli ferme, pour la fourniture des intrants cites ci-après:
- 1.000.000 (un million) de piles électriques de 1.5 volts type R 20.S export.

2 et 3 Même texte que pour l'Offre d'Appel pour les Insecticides ci-dessus.

4- Toutes les offres doivent être accompagnées d'une caution de soumission d'un montant d'au moins (2) deux pour cent de la valeur du lot. Cette caution doit être deposee comme partie intégrante de l'offre a l'adresse ci-apres au plus tard le 15 Juin 1988 sauf modification de date qui sera annoncée officiellement aux candidats.
Les offres seront recues a la direction générale de Cotonchad B.P. 1116 N'Djamena Tchad.
Les dossiers seront disponibles aux adresses ci-dessus mentionnées a compter du Mai 1988.

ARTS

Architecture/Colin Amery

Flavour of classicism

There is a strong Anglo-Italian flavour about architectural affairs in the capital this month. It is appropriate to begin with a look at the work of the architect Joseph Bonomi (1739-1808), whose recently re-discovered drawings are on display at the Heinz Gallery of the RIBA at 21, Portman Square until June 18.

Bonomi really typifies architectural Anglo Italy and his career is a remarkable illustration of the international influence of classicism. The lasting influence of Italy upon English taste is a compelling subject in itself – certainly in the eighteenth century it was the mixing of artists, architects and patrons from both countries that produced a period of profound creativity. Bonomi was born in Rome where he was trained as an architect and developed remarkable skills as a draughtsman. There is evidence to suggest that Clerisseau may have been his drawing master.

His great talent was spotted by the architect James Adam on his Grand Tour in 1761 and he was employed by the Adam brothers for the next 18 years. At first he worked measuring and drawing the Roman antiquities and then in 1767 he travelled to England where he stayed until his return to Rome in 1783.

By marriage he was connected to the painter Angelica Kauffmann and the catalogue to the exhibition, by Peter Meadows, explores the fascinating web of related artists, architects and patrons working in England in Bonomi's time.

The most brilliant drawings in the exhibition are the perspectives of interiors. The library of Lansdowne House in London which was exhibited in the Royal Academy in 1786 and Charles Townley's Sculpture Gallery have never been seen publicly before. Both of these are stunning drawings combining total accuracy with a sense of delicate drama. His work is not as original as Soane but it would, I suggest, be fair to say that his architecture has more power than the work of his master Robert Adam. His very austere stripped down exteriors have a power unusual for a neo-classical architect working in England. Did he know Ledoux or Boulee?

His plain country houses, like Longford Hall in Shropshire, Roseneath, Dumbartonshire, or Eastwell House in Kent are all enlivened by the use of the large columned portico treated as a porte cochere. They are powerful designs and Bonomi was fashionable enough as an architect to be referred to by Jane Austen in Sense and Sensibility. His best known interior is Mrs Montagu's Great Room of 1789-91. The opening breakfast party excited comment both on the design of the room and the painted ceiling by Rigaud.

In the country, and therefore less publicised at the time was the Pompeian Room for his patron Lord Aylesford at Packington in Warwickshire. In the park at Great Packington is the strangely wonderful church by Bonomi. A cube with four towers. The exhibition does what the very best exhibitions should do and introduces a forgotten talent with original material of the highest quality.

Over at The Building Centre Gallery in Store Street, London, WC1, another Italian architect is on show but a more recent one – Carlo Scarpa (1906-1978). It is a display organised by enthusiastic disciples of Scarpa from the University of Edinburgh and it concentrates on the architect's work at the Castelvecchio museum in Verona. Any visitor to that museum will know that Scarpa remodelled it from 1957 to 1973. The most memorable element of his design is the elevated equestrian statue of Cangrande.

His approach to museum design is not fashionable today. He uncovered the layers of the Castelvecchio – pulled them apart and exposed the fragments and layers. His drawings shown at the exhibition are very revealing of the process he went through designing the museum. He is always searching for the solution and is engaged in a process of change. His treatment of the objets d'art would today be seen as unconventional and probably unsound on conservation grounds. There is, to my mind always an element of over design and confusion in Scarpa's work and that is captured and demonstrated perfectly bu this exhibition.

It is interesting that it is exactly this kind of unravelling of the structure and the exposure of the separate materials that makes Scarpa attractive to the younger architects and students today. They are all discovering the modern heroes of the fifties and sixties – it is fascinating to discover that the hero of the Architectural Association's younger students today is Oscar Niemeyer, the architect of Brasilia. Worth knowing what you are in for. . .

At the Architectural Association is an exhibition on another Italian subject and a brilliantly original one. It only runs until May 22 and I recommend it highly. The subject is the Italian children's seaside holiday homes built in the 1930s. It is a wonderful evocation of the sun and health philosophy and the accompanying newsreel film is a perfect encapsulation of a movement that was common throughout Europe. Called Cities of Childhood they were to be changed and in many ways perverted by the Fascist regime but architecturally as expressions of the design philosophies of the 1930s they were remarkable. The excellent catalogue tells their story – particularly good reading is the account of his visits to these colonies by the artist Eduardo Paolozzi as a child.

All the best architects of the period – BBPR, Mazzoni, Sot-sas, Vaccaro – and many others worked on these villages for children. The original research and the quality of the architecture deserves a longer review and I hope to return to this subject It is a remarkably evocative exhibition that has been brilliantly conceived – it is essential that it travels and has a longer life.

Joseph Bonomi's The Drawing Room, Lambton Hall, Co Durham, c1800

Sponsorship

Selling drama

Antony Thorncroft

To date the theatre has not attracted as much support from sponsors as its contribution to British artistic life merits. There are exceptions. The Chichester Festival has just received a generous £500,000 gift from local company Nissan to enable it to build a studio theatre alongside its main auditorium, and the Open Air Theatre in Regents Park gets a hefty 20 per cent of its income from sponsors. The RSC too has a loyal band of supporters, in addition to the £1m over three years it attracted from Royal Insurance.

Most recently Jaguar backed the new production of Much Ado about Nothing at Stratford, and at the dinner afterwards chairman Sir John Egan went out of his way to stress that the company was aiding Much Ado not for any sentimental charity reasons but as a springboard for selling more cars.

But the smaller touring and regional theatres, which often specialise in experimental works, often complain that they are too challenging for play-safe sponsors. The Bush, for example, which has an excellent record, receives no sponsorship income. This business myopia is gradually changing. The highly acclaimed Cheek by Jowl is to receive £20,000 from British & Commonwealth to support its autumn tour. Shared Experience has just pulled off its biggest sponsorship ever, £20,000 from Citibank for its production of The Bacchae which opens at the Edinburgh Festival, and Paines Plough has help from BP.

Since this company, which concentrates on new plays, has just received a rise in its Arts Council grant of nearly 30 per cent it is a useful argument against those cynics who say getting sponsorship cash puts at risk your state subsidy.

Other superficially unlikely touring groups to attract sponsors are Trestle, which perform in masks made by its sponsor, David's Isopon, and the Théâtre de Complicité, which is backed by Becks. Many of these companies will be appearing on the stage of the BP Theatre on June 30 in a performance arranged by ABSA which aims to sell drama as a sponsorship opportunity to its corporate members, all of whom are welcome.

★

Arts sponsorship seems to be a buyer's market, with a never ending queue of arts organisations chasing a limited number of sponsoring companies. But there are money rich institutions actively seeking arts projects to support. Well, there is the Louis Vuitton Foundation established in 1986 to aid opera and music.

Twice a year the good and the great, the likes of Lord Harewood and Professor Rolf Liebermann of the Hamburg State Opera, who acts as director, gather to sift through the applications and then distribute around 235,000 (the latest hand out from an annual budget of about five million francs, set aside by Louis Vuitton, trunkmakers and now a leading luxury goods company after its acquisition of Veuve Cliquot).

At the moment the awards, thirteen in the current batch, go to continental and British arts institutions, with the emphasis very much on new productions rather than on money for bricks and mortar. Perhaps the ideal seeker after cash would be a small arts centre, like the Almeida in Islington, which is putting on in June a new opera by Michael Finnissy, The Undivine Comedy. This enterprise, which will be seen first in Paris, is getting around £25,000 from the Foundation.

Another British project, to be aided with over £20,000, is "Upbeat to the Tate 88", a month of contemporary music, starting on May 24, mounted to celebrate the opening of the Tate in the North in Liverpool. In the past the arts in France have done best out of the Foundation and the biggest current grant, around £70,000, is aiding a production of Stockhausen's Montag at the Autumn Festival in Paris, but British arts organisations committed to contemporary music could do worse than contact these up market bag people.

★

British Telecom is the latest company to discover social responsibility. Last week it announced a £500,000 sponsorship programme aimed to give back to the community a little of the profit it takes out. As usual environmental and medical causes grabbed the largest slice of the funds but there was money for the arts, for those old stand bys, the RPO and the RSC, but also for Aldeburgh.

Indeed the £20,000 in cash and £5,000 in services makes British Telecom the biggest business sponsor for Aldeburgh. It is linking up with the Aldeburgh Festival Proms at Snape Maltings which this year are being extended from 11 nights to embrace the whole of August. With a likely audience of 15,000 for a programme of popular classics it is actually the biggest crowd puller of the Aldeburgh year.

Aldeburgh is very good at exploiting outside help to improve its own revenue raising activities. It won one of Richard Luce's marketing awards last year and used the £10,000 to buy into the mailing list of other leading arts organisations like Glyndebourne and the Barbican. As a result it has boosted ticket sales from its mailings by 10 per cent for this summer.

In the same way the £5,000 in services from BT should produce results. Aldeburgh is getting a link line to its box office, which means that prospective ticket buyers throughout the UK get free calls, and, as well as the printing of publicity material, every distributed telephone bill will be marginally more appealing with its "BT Maltings Proms" frank on the envelope.

Aldeburgh now promotes activities on 160 days a year, creating mini festivals outside its main Festival. It has persuaded another sponsor, Jaguar, to support a four day Britten-Beethoven event in October, plus one of those occasions which can be more effective than a cheque – a party for existing and potential sponsors, which gives both Aldeburgh and Jaguar the chance to do some soft selling.

★

One of the most bizarre artistic ventures of the year will be the performances of Verdi's Aida, staged over seven nights at Earls Court next month. It is being mounted by three of the most celebrated promoters of the age, Harvey Goldsmith, best known for his work in the pop field; Mark McCormack; and Victor Hochhauser. To promote the £2m extravaganza, with its cast of over 600, their joint company, Classical Productions, has persuaded the MI Group, a new financial services company, to contribute £100,000 in sponsorship.

★

Images de France, part I, opens at the Barbican next week, with part II surfacing in the autumn. In the end the Comédie Française was unable to come but there is plenty of French photography, music, films, art, and peripherals to create a Gallic flavour in the City. The main sponsor is Eurotunnel, which has imaginatively used arts sponsorship to promote its brave gamble. It has already been involved with a Turner exhibition at the Tate but this is easily its biggest venture, with a £100,000 plus commitment.

★

Glyndebourne has attracted two first time sponsors for new productions of Janacek operas in the next two seasons. The Philip and Pauline Harris Charitable Trust is aiding Kat'a Kabanova, which opens on May 19, and Allied Lyons, not known for its arts sponsorship interests in the past, is supporting Jenufa next season. The attraction of Glyndebourne to sponsors, despite the cost, (£100,000 is the starting price), enables the Festival to present more challenging operas than its unjustified elitist image suggests.

Lady Windermere's Fan/Glasgow Citizens

Michael Coveney

In producing Oscar Wilde's first successful comedy, the Glasgow Citizens and director, Philip Prowse complete work on the trilogy of Wilde's "problem plays" and provide Mayfest with a sumptuous, dazzling classical revival.

The Windermeres' London salon has an airy luxuriance and a central circular sofa covered in satinate cushions. Even Prowse himself has rarely designed a more beautiful setting, gold and slate blue Louis Seize chairs elegantly strewn among the clusters of candelabra. Cream and lace curtains rise to a high-ceilinged roof in a room of rectangular spaciousness.

Lady Windermere (Yolanda Vasquez) is throwing a birthday party, "a small and early," to which, she is adamant, Mrs Erlynne (Angela Chadfield), a woman with a past, must not be invited. Lord Windermere (Giles Havergal), she believes, has been paying her large amounts of money for services rendered. At the same time, Lady Windermere is under intense amorous siege from Lord Darlington (Robert Gwilym). Sexual if not social, decorum is everywhere threatened. "Manners before morals" is the key philosophical Wildean line.

The secret of Lady Windermere's relationship to Mrs Erlynne was initially withheld by Wilde until the last act. But in 1892, the play's first producer, George Alexander, convinced the author that the beans should be spilled in the second act.

Prowse now adjudicates in favour of Wilde, restoring a dynamic bite and tension to the play perfectly in tune with its stilted, acidulous and mockingly funny lines.

Paradox and antithesis were Wilde's great stylistic weapons, already refined to a stiletto sharpness and frank pungency in this text which offers such gems as "I can resist everything except temptation", "crying is the refuge of plain women but the ruin of pretty ones" and "we are all in the gutter, but some of us are looking at the stars." That last quip is repeated with sarcastic incredulity by Jonathan Phillips as Mr Dumby, one of the after-hours clubmen in the brilliant third act in Lord Darlington's rooms.

Prowse gives us two intervals either side of this convocation in order to create a sublime, louche, crimson environment. This transformation is miraculous. Suddenly the stage is occupied by a great hanging Persian carpet and wall-to-wall Fragonard. Women are illicit intruders, while Windermere and the fussy old Lord Augustus (a performance of epicene eagerness by Robert David MacDonald) are flopped down comfortably on red sofas.

All the small parts are worth playing in this piece and there are precise, delightful contributions from Fidelis Morgan as the tyrannical, trouble-stirring Duchess of Berwick; Laurance Rudic as the haughtily scathing Cecil Graham ("Scandal is gossip made tedious by morality"); and Patrick Hannaway as the squat, bullish son of an Australian entrepreneur about to crash the upper class party, carnation fixed with jaunty defiance on his shoulder.

It is all played with great panache, although poor articulation nearly does yet again for Robert Gwilym. "Nowadays to be intelligible is to be found out," says Lord Darlington, a line the mysterious actor has taken too much to heart. Giles Havergal as the deeply loyal Windermere pays the price of domestic slavishness, with Wilde giving a twist of lemon and poor Arthur a crisp slap in the face for his pains.

The play is staged with a wonderful sweeping and rhythmically charge, magnificent costumes of brocaded lace taffetas and weighted silks, predominantly gold and black, gliding and swishing with processional deliberateness through the party scene. Prowse has captured superbly an ambiguous social climate of drained but glittering decadence. Anyone still impressed by the vulgar, expensive cattiness of Ziegfeld in the West End of London should be frog-marched to Glasgow to see our master theatrical costumier at the peak of his powers.

Accardo/Barbican Hall

Richard Fairman

There has been one unforseen bonus to accrue from the International Violin Series which is being promoted by the London Symphony Orchestra. With 11 soloists on the roster there are barely enough favourite concertos and so the more adventurous of the players have been encouraged to bring into the family circle works which would generally be regarded as outsiders.

At Thursday night's concert – the turn of the Italian violinist, Salvatore Accardo – the comparative rarity was the Serenade after Plato's "Symposium" by Bernstein, written in 1954 and a concerto in all but name. A member of Plato's dramatic personae is listed at the head of each movement but apart from that there seems to have been little intention to write a programmatic suite and only a generalised mood survives from the literary source.

The piece works better if one regards it simply as a serious attempt at writing a large-scale work for the violin. Bernstein has sought to hit an appropriately studious, academic style: the orchestra is restricted to strings, harp and percussion; there is much fugal writing; and the thematic ideas are consistently earnest. And yet the feeling is of a brilliant inspiration curiously dulled, as though his music depends on excess of some kind if it is to mean anything at all.

The most successful section is the opening of the last movement (Socrates/Alcibiades) where a peroration of cinematic scale leads to a sort of Socratic dialogue between violin and solo cello. Here at last Bernstein is getting to grips with his material. And it was here, too, that the cool, cerebral playing of Accardo seemed to hit the right style after sounding neat and trim (bright spiccato scales in the Erixymachus scherzo).

For the Brahms Concerto after the interval a deeper, richer resonance in the violin tone was required. Even considering that Yuri Ahronovitch was leading an unusually weighty performance, Accardo's solos sounded thin and wiry, as well as unduly detached.

Bilson's Mozart/Elizabeth Hall

Andrew Clements

It may still be premature to assert that all the worthwhile performances of classical keyboard concertos in London are now to be heard on period instruments, but the balance continues to tilt ever more decisively in that direction. Malcolm Bilson's account of Mozart's B flat Piano Concerto K.595 on Thursday marked the end of one of the most significant contributions to that stylistic realignment – the series of concerts and associated recordings in which he and the English Baroque Soloists conducted by John Eliot Gardiner have prepared and performed all of Mozart piano concertos on the fortepiano.

The other fortepianist most often heard on the South Bank recently has been Melvyn Tan, and it was fascinating to compare his playing with Bilson's. For his Beethoven performances Tan uses a replica of an 1814 instrument, while here Bilson played on a copy of a 1795 fortepiano; the differences, in dynamic and expressive ranges, are substantial, and doubtless radically shape the players' interpretations.

Even in the most chromatically potent passages of the slow movement of K.595 Bilson kept the music on a tight emotional leash, allowing the orchestral woodwind to make the most affecting points, while the first movement had a limpid purity, almost uninflected at times, in which the melodic invention was allowed to unravel itself with perfect naturalness. When the finale was reached one longed for a degree of muscularity; the shaping of the rondo theme fulfilled some of those expectations, and the cadenza, unexpectedly witty and cloudless, did the rest.

Bilson had opened the concert alone, with Haydn's last piano sonata, the E flat Hob.XVI:52, thus giving the concert a double qualification for inclusion in the South Bank Centre's "End Games." It was a strange, unsettled performance, wayward in some respects – the first movement was littered with dramatically extended pauses and fierce sforzandi, and the finale built upon a bundle of differing tempi; the slow movement was unexpectedly expressive and tested the coloristic potential of his instrument to the utmost.

The English Baroque Soloists had accompanied the concerto with immense care and chamber-like watchfulness, and brought the same qualities to the Prague Symphony K.504.

Tennstedt/Festival Hall

Richard Fairman

THE BANNER proclaiming "Welcome Back Klaus" left no doubt as to the warmth of feeling on Friday night, when Klaus Tennstedt returned to this country and his own orchestra, the London Philharmonic, after a protracted illness. This was a long-awaited event and it is difficult to imagine it being celebrated more gloriously than with this Wagner programme, which was at all points music-making on a high level.

From the moment he was standing in front of his players once again, Tennstedt was thoroughly his old self. He has always been a live conductor on the podium, his attention apparently on all sections of the orchestra at once as he darts from side to side encouraging nuances of phrasing and balance, and none of that dynamism has been lost. As climaxes approach, a pulse of energy seems to shake through his whole body, as he urges his players to build the tension ever higher.

It is a physical intensity which communicates itself to the music. His Wagner is a view of the composer in which every moment is important: the violin theme of Siegfried's Rhine Journey, which most conductors would probably leave to play itself, was eagerly moulded into shape; and in the introductory bars to the Funeral March from Götterdämmerung. Even the rests seemed to be charged with electricity.

With some Wagner specialists (one thinks particularly of Solti in his earlier years) there might be a danger that this kind of performance would sit down obstinately on each detail, but Tennstedt feels the pull of the music too strongly for that.

His Overture to Rienzi swept the listener along more convincingly than any other I can recall, and if the Overture and Venusberg Music from Tannhäuser seemed too loud for too long, that was probably less his fault than Wagner's.

The LPO had clearly mustered their best form for the occasion. The playing was consistently attentive and enthusiastic, the orchestral sound bulky in the conductor's usual Teutonic manner.

On any other occasion a couple of vocal excerpts would have enlivened the programme. But this was Tennstedt's evening and it was fitting that he should have had the spotlight to himself.

Arts Guide

May 6-12

Music

LONDON

The Bach Choir: with the Philharmonia Orchestra. Conductor David Willcocks with soloists Sheila Armstrong, Catherine Wyn-Rogers, Maldwyn Davies and Stephen Roberts performing Elgar's The Kingdom. Royal Festival Hall (Mon) (928 3191)

Lontano: Conducted by Odaline de la Martinez with Jane Manning, soprano, and Robert Dick, flutes: British premieres of works by William Kraft, Robert Dick and Martin Butler. Elizabeth Hall (Tue).

English Chamber Orchestra: Conductor Jeffrey Tate with André Watts, piano: Schumann, Beethoven. Barbican Hall (Tue) (638 8891).

London Mozart Players: Conductor Jane Glover with Luigi de Filippi, violin and Jack Brymer, clarinet playing Mozart. Barbican Hall (Wed).

Royal Philharmonic Orchestra: Conductor Yuri Temirkanov, Peter Donohoe piano, playing Rossini, Brahms, Dvorak. Festival Hall (Thur).

Nouvel Orchestre Philharmonique de Radio France: Conductor Marek Janowski, Ann Murray mezzo-soprano: Berlioz, Saint-Saëns. Barbican Hall (Thur)

AMSTERDAM

Concertgebouw: The Netherlands Theatre Orchestra conducted by Jules van Hessen, with soloists Jaap van Zweden, violin, Ronald Brautigam, piano, and Thijs van Leer, flute, presenter Adriaan van Dis playing Rossini, Vivaldi, Vaughan Williams, Tchaikovsky, Saint-Saëns (Mon). Hartmut Haenchen conducting the Netherlands Philharmonic with Hakon Austbö, piano, and vocalists playing Schönberg, Beethoven, Scriabin (Tue, Wed). Recital Hall: Norbert Brainin, violin, Martin Lovett, cello, Arnaldo Cohen, piano: Brahms, Mozart, Beethoven (Thur) (71 83 45)

UTRECHT

Vredenburg: Hartmut Haenchen conducting the Netherlands Philharmonic with Hakon Austbö, piano, and vocalists: Schönberg, Beethoven, Scriabin (Mon). The Concertgebouw Orchestra under Riccardo Chailly: Berio, Bruckner (Wed) (31 45 44)

NIJMEGEN

Vereeniging: The Netherlands Chamber Choir under John Alldis: Eisler, Martin, Shostakovich (Wed) (22 11 00)

PARIS

Ensemble Intercontemporain: Conducted by Dennis Russel-Davies, Paul Sperry, Tenor: Allemagne 3 – Mauricio Kagel, Bruno Maderna, Arvo Paert (Mon), Georges Pompidou, Grande Salle (42 77 12 33)

Edita Gruberova, Friedrich Haider: piano: Dvorak, Brahms, Strauss (Mon) Théâtre de l'Athénée (47 42 67 27)

Orchestre de Paris: Conducted by Daniel Barenboim: Wagner's Rheingold (Mon, Wed) Salle Pleyel (45 63 07 96)

Orchestre National d'Ile de France: Conducted by Eric Bergel: Mozart, Schönberg (Tue) Salle Pleyel) (45 63 07 96)

Catherine Collard: Piano recital (Tue) Salle Gaveau (45 63 20 30)

Ensemble 13: Conducted by Manfred Reichert: Allemagne 4 – Wolfgang Rihm (Wed) Georges Pompidou, Grande Salle (42 77 12 33)

Nouvel Orchestre Philharmonique: Conducted by Y Ahronovitch, Radio France Choir: Mussorgsky, Tchaikovsky, Borodine (Wed) Theatre des Champs Elysées

ROME

Teatro Brancaccio (via Merulana 244): Teatro dell'Opera Orchestra conducted by Ernesto Zanoni playing Debussy's Danze Sacre e Profane for harp and strings, and Respighi's Concerto a Cinque (Sun, 11 am) (46 17 55)

Auditorium in via della Conciliazione: Heinz Holliger (oboe), Helmar Schmid (clarinet), Radovan Vlatkovic (French horn), Klaus Thunemann (bassoon) and Andras Schiff (piano) playing Beethoven, Schumann and Mozart (Fri). Also, (Sat, Sun, Mon, Tue) Michael Schonwandt conducting Chopin's second piano concerto (with Ivo Pogorelich) and Strauss's Eine Alpensinfonie. (654 1044)

Auditorio del Gonfalone (via del Gonfalone 32/A): The Gonfalone Chamber Orchestra with solo violinists Fulvio and Antonio Leofreddi playing Vivaldi (Thur) (687 5952)

FLORENCE

(51st Maggio Musicale) Teatro della Pergola: Andras Schiff (piano), Heinz Hollinger (oboe), Elmar Schmid (clarinet), Radovan Vlatkovic (French horn) and Klaus Thunemann (bassoon) playing Beethoven, Schumann and Mozart (Sat). Pianist Lilja Zilberstain playing Rachmaninov and Scriabin (Sun) Soprano Julia Migenes with the Maggio Musicale Orchestra conducted by Bruno Fontaine, Dal Classico al Musicale (Wed). Singer Helene Delavault accompanied by pianist Claude Lavoix (Thur) (277 9236)

NAPLES

Settimane Musicale Musicale: Teatro di San Carlo: Piano recital by Maurizio Pollini, playing Schubert and Liszt (Sat). Salvatore Accardo, Margaret Batjer, Rocco Filippini, Toby Hoffman, Maurizio Pollini and Theresa Tunnicliff playing Brahms (Tue). The San Carlo Orchestra conducted by Franco Petracchi playing Martucci, Cherubini and Rossini (Wed, Thur) (797 2412)

TOKYO

Tokyo Symphony Orchestra: Uto Ughi (violin) Mozart, Vivaldi. Suntory Hall (Mon) (505 1010)

Stockholm Bach Choir: Bach, Handel, Kodaly. (Tue, Wed). Suntory Hall (403 8011)

Gundula Janowitz (soprano): Schubert. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Wed) (353 2242)

Japan Philharmonic Orchestra: Conducted by Naoto Ohtomo. Bird Week Concert: Respighi, J. Strauss, Stravinsky. Suntory Hall (Thur) (234 5911)

NHK Symphony Orchestra: Conducted by Wolfgang Sawallisch. Hindemith, Bruckner. NHK Hall. (Thur) (465 1781)

NEW YORK

Audiamo Piano Trio: Haydn, Schumann (Wed, 12.30, free). Juilliard Concerts at the IBM Garden Plaza, 56th and Madison.

New York Philharmonic: Zubin Mehta conducting, Isaac Stern (violin); Mussorgsky, Davies, Mozart (Thur) Avery Fisher Hall (874 2424)

Los Angeles Philharmonic: André Previn conducting; Dvorak, Walton (Thur) Carnegie Hall (247 7800)

WASHINGTON

National Symphony: Andrew Litton conducting, Christopher Parkening (guitar): Britten, Rodrigo, Vivaldi, Rachmaninoff (Thur) Kennedy Center Concert Hall (254 3776)

CHICAGO

Chicago Symphony: Sir George Solti conducting; Vivaldi, Villa-Lobos, Haydn, Beethoven (Tue). Sir George Solti conducting, Andras Schiff (piano); Beethoven, Ives, Brahms. (Thur) Orchestra Hall (435 8111)

Saleroom/Antony Thorncroft

Poignant late Van Gogh

The salerooms slip into top gear this week with major sales in London, New York, and Geneva. Pride of place must go to Christie's in New York, when on Wednesday it offers Van Gogh's portrait of Adeline Ravoux, which he painted about a month before he killed himself in July 1890.

Mlle Ravoux was just 14, the daughter of the owner of the cafe at Auvers sur Oise where the artist spent the last two months of his life. It has an estimate of up to $15m.

London can best compete with charm. Tomorrow Christie's is offering a collection of original stage designs, drawings, cartoons and costume sketches relating to Glyndebourne, which Moran Caplat, for many years general administrator at the Festival, assembled during his 30 odd years there.

The estimates are very conservative and anyone expecting to pick up a pleasant memory of a happy visit to Glyndebourne for around the prices printed in the catalogue is likely to be disappointed. Among the artists represented are Oliver Messel, Osbert Lancaster, Hugh Casson, David Hockney and John Piper, whose street scenes for the 1951 production of Don Giovanni carry the top estimate of £5,000.

An insight into 18th century diplomacy is provided by Sotheby's sale in Geneva on Thursday of miniatures, gold boxes and objects of vertu, at which a jewelled and gold snuff box given by Frederick the Great to Baron Andrei Goudovitch, favourite adjutant of Peter III of Russia, comes under the hammer. The Baron was sent to negotiate a peace treaty and settled very much in favour of Frederick rather than his master. It carries an estimate of around £500,000.

American museums have no compunction about raising money by selling off important treasures. At Sotheby's New York tomorrow the Museum of Modern Art is disposing of two Matisse oils, both of which should sell for $2m or more. Top price, of $7m or so, is expected to be paid for the most finished version of Renoir's Maternite, ou femme allaitant son enfant, a picture of a mother suckling her baby.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday May 9 1988

Mitterrand's victory

THERE CAN be no doubt this morning who is Europe's supreme political tactician.

For much of his first term President François Mitterrand was the most unpopular president France had had since opinion polls began. Two years ago his Socialist government was driven from office in parliamentary elections. A vigorous conservative government came in with a programme of privatisation and deregulation, apparently bringing France into line with the prevailing political trend throughout the Western world.

Mr Mitterrand was left the lamest of lame ducks, president for two more years thanks to a constitutional quirk he had himself promised to correct, until such time as new presidential elections gave the electorate the chance to restore the logic of the constitution by choosing a president whom the new parliamentary majority could support. Such at least was the calculation of Mr Jacques Chirac, a man with a reputation for fast political footwork. As it turns out, he is not in Mr Mitterrand's class.

Personal rivalries

The president had placed a time bomb under him by introducing proportional representation, which allowed the extreme right National Front to become a significant political force. While it ticked away, Mr Mitterrand used his strictly constitutional powers with carefully judged restraint, thus combining the popularity of an opposition leader with that of a dignified head of state rising above party quarrels. Personal rivalries within the government camp, exacerbated by disagreement about the propriety of trying to win back National Front voters by pandering to their prejudices, did the rest.

Whether this virtuoso performance amounts to statesmanship or will serve the higher interests of France is quite another matter, for at least three reasons. First, many liberal-minded French people will find it hard to forgive the president for letting the National Front genie out of its bottle, for it is by no means clear that he knows how to get it back in.

Second, France now faces a further period of political uncertainty which will sooner or later have to be resolved by new parliamentary elections: sooner, one hopes. At worst, there could be a return to the shifting coalition politics of the Fourth Republic, as Mr Mitterrand looks for political forces in the centre willing to ally with his own Socialist party. The Socialists by themselves clearly do not represent the majority in the country that he has managed to assemble around his own name.

Top of form

Third, although clearly now at the top of his form, a septuagenarian president can hardly be sure to remain so throughout a second seven-year term. This time the pledge to reduce the mandate to five years must surely be implemented, and even though it cannot be binding on a president already elected he should surely be prepared to act as if it were.

Yet, if not more than two cheers are in order for Mr Mitterrand's triumph, it is hard to weep many tears of chagrin over Mr Chirac's defeat – especially after his grotesque attempts to save himself in extremis by allowing Captain Dominique Prieur to return to France, in flagrant breach of his agreement with New Zealand, and by ordering the bloody assault on the Kanak separatists (French citizens, it should be remembered) who would almost certainly have released their hostages peacefully as soon as the election was over, at the very time when he was welcoming home the hostages from Lebanon after long and scarcely glorious negotiations with their captors.

France clearly needs a strong and effective conservative party, if only to restore the confidence of her more nervous or nationalist-minded citizens and so cut the ground from under Mr Jean-Marie Le Pen. But Mr Chirac has hardly proved himself the right man to lead it. The experiment of "cohabitation" which he insisted on trying has proved a disaster for him and for his supporters, as Mr Raymond Barre always predicted it would. Two years is not enough for a would-be Thatcherite revolution to convince the electorate, and the circumstances of power-sharing with a Socialist president were hardly propitious either. If Mr Barre was the loser of the first ballot, he may fairly claim to be the moral victor of the second.

Seamen have a lifeline

LEADERS of the National Union of Seamen have until 10am today to accept or reject an offer worked out at the weekend with the conciliation service, Acas, to end the unlawful secondary industrial action over the union's dispute with P&O European Ferries. The dispute has hit P&O's competitor Sealink hard, and last week saw the entire assets of the NUS seized and its officials ejected from the union's offices.

Soundings from the ports yesterday seemed to confirm the NUS negotiators' effective rejection of the framework agreement. But the fact that Sealink was keen to move to a marriage of convenience with the NUS, under which it would take on some of the union's P&O strikers in return for full normal working, underlines the intense commercial competition at the heart of the ferry dispute. This will increase with the single European market and the opening of the Channel Tunnel.

Those commercial pressures are real, and yet it is clear that the core dispute between P&O and the NUS is not only, in terms of the normal pattern of industrial relations, capable of being settled, but has been for some time. What is going on now between the company and the union may hold lessons for the future.

Commercial realities

Stripping aside the fighting rhetoric of any industrial dispute, NUS leaders who have seen their union's numbers spiral downwards with the diminishing size of the UK merchant shipping fleet cannot but be aware of the commercial realities of cross-Channel ferry services in the 1990s. But what the dispute has shown so far is that the union, and perhaps others too, have still failed to learn some of the lessons of the Thatcher years.

The NUS has seen its operations sharply curtailed by sequestration because of its clear and admitted defiance of the Government's employment legislation. Trade unions may not like the restrictions on industrial action which the Conservatives have introduced, but they ought to realise that whatever their feelings, that is the framework of UK law within which they now have to work. Seeking to change that law through political lobbying, either directly with the Government or via the Labour Party, is for them a perfectly legitimate activity in a free society: open contempt of it, such as that of the NUS, is not.

Genuine question

For the NUS to have taken a course of action which they knew would lead the union into such a conflict is at the least foolhardy, and its continuation, despite the sequestration, will again be unlawful under the Government's current Employment Bill. To do it in the hope that the sequestration will do what the union has been unable to do itself throughout the 14-week-long dispute with P&O – draw the various elements together into a coherent and combative whole – is both misguided and irresponsible.

As in previous similar disputes in recent years, the union's position over the issue of secondary industrial action, or picketing, is understandably frustrating for it. Employers unconnected with disputes other than through an unrelated commercial contract are now rightly protected under the law against union action against them. But there is the genuine question of what happens when one employer – in this case P&O – is fighting what is a battle common to all employers within a particular commercial sector? Since other ferry companies such as Sealink would benefit from a P&O victory, does that not give secondary action by the union a greater legitimacy?

Sealink's own offer at the weekend suggests that it may. It would probably be of more practical value if the NUS and Sealink could work out a deal between them through negotiation rather than the hammer of sequestration. If they do not, experience of other union sequestrations of the 1980s has shown that, sooner or later, the NUS will have to apologise to the court, purge its contempt – and learn the lesson that the law is the law and can be changed only through the ballot box.

Peter Bruce and David Lascelles assess the growing pressure for a restructuring of Spanish banks

Forced to face the future

SPAIN has more banks and bank branches per head of population than almost any other country in the European Community. Yet not a single Spanish bank ranks in the world's 100 largest. Indeed, most people outside Spain would be hard pressed to name any of its banks.

As Spain adapts to its new role as a member of the EC and prepares for the integrated market of the 1990s, the fragmented state of its financial services industry and its poor international standing have become one of the Madrid Government's main preoccupations. It believes Spain must have bigger and better banks, not merely to build up the country's financial muscle, but to win a bigger share of EC business and meet growing foreign competition in its home market.

This policy, enunciated last year by Mr Carlos Solchaga, Economy Minister, and supported by Mr Mariano Rubio, Governor of the Bank of Spain, has already spawned a merger between two of the country's Big Seven banks, Banco de Bilbao and Banco de Vizcaya, which will make by far the country's largest bank. But while this has led to speculation – fuelled by a feverish stock market – that the rest of the Big Seven will rapidly shake themselves down into the Big Three or Four, the mood within the banking community is much more cautious, if not downright hostile to the idea.

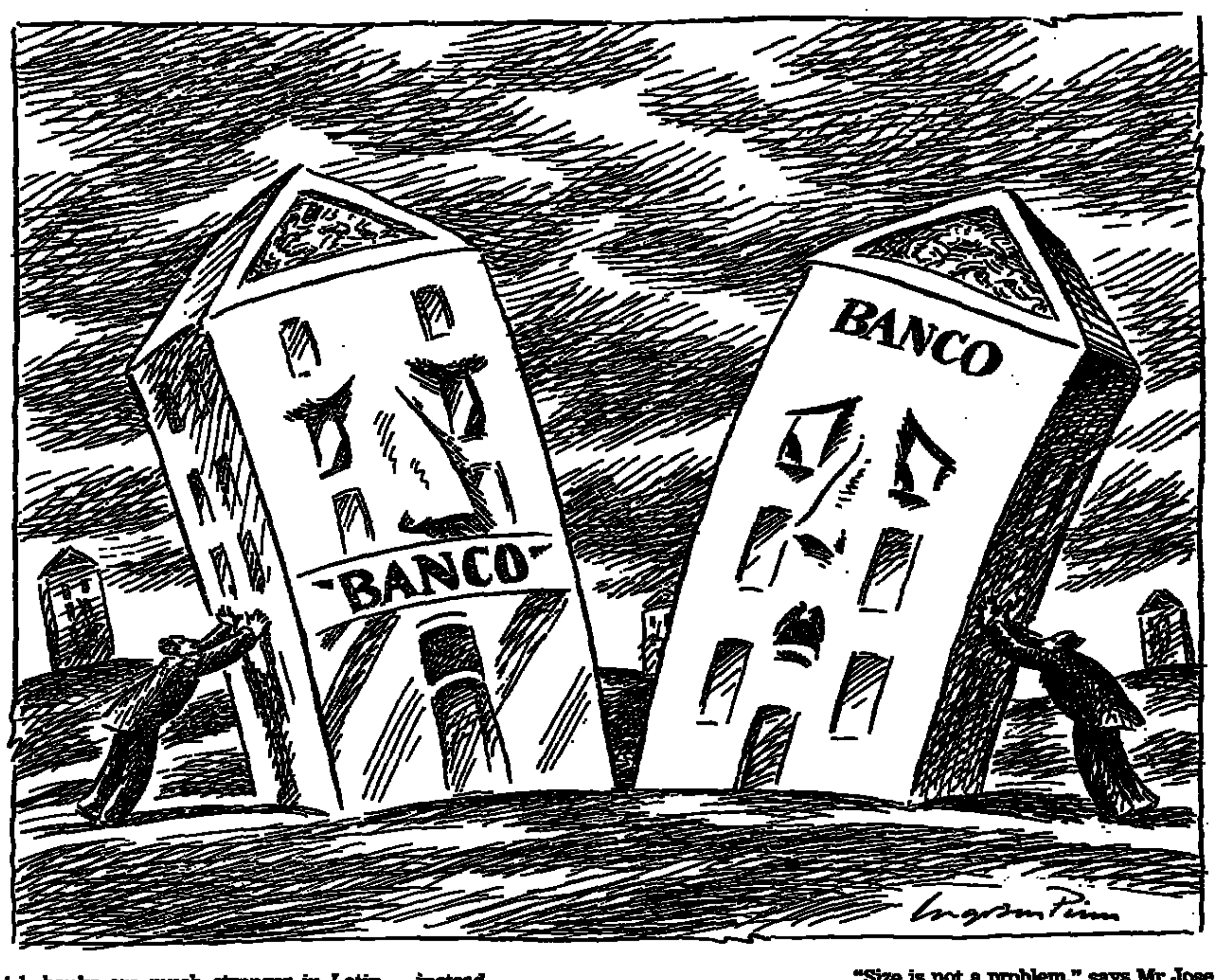
Entrenched bank chairmen, whose empires would be drastically reshaped by mergers, are parading a raft of arguments that say things should stay as they are. Mr Luis Valls, chairman of Banco Popular, the smallest but also one of the best managed of the Big Seven, puts it bluntly: "Mergers are like aspirin," he says. "You only use them for headaches." Nevertheless, he has taken the precaution of packing his board with friendly shareholders to discourage takeover.

The Government's prodding, however, has triggered a debate about the future of Spanish banking which shows that there are many more issues at stake than those of size. The central question is: what sort of banking industry should Spain have?

On the face of it, the Government's case for a major restructuring is strong. Spain has more than 100 banks and an even greater number of savings banks. That makes it one of the most populous banking industries in the EC and, according to the yardsticks of the Organisation for Economic Co-operation and Development, one of its least efficient. Although the banking sector is now tightly supervised by a much strengthened Bank of Spain, it also has a history of crises, from which its largest members still bear the scars, and a deep mistrust of change.

Paradoxically, though, the industry is also one of the most profitable in the EC, with the leading banks earning returns which are the envy of their rivals abroad (at least in non-crisis years). But this only reinforces its cartelist image. None of the bigger banks, for example, has taken advantage of last year's deregulation of interest rates to offer higher returns to their depositors; that has been left to the foreign banks which are eager for new business.

Internationally, Spanish banks are laggards. The largest of them, Banco Central, ranks only 103rd in the world. This is a legacy of the Franco era, when Spain's entire commercial sector was discouraged from expanding abroad and failed to develop the multinational companies which provided the impetus for banks in other countries to go overseas. For historical reasons, most Spanish banks are much stronger in Latin America than they are in Europe, where their commercial destiny now lies.



Mr Guillermo de la Debesa, Secretary of State for the Economy, who is in charge of modernising Spain's financial sector, argues that Spanish banks will have to achieve a much greater size if they are to compete in the EC. "We are not linking size to profitability, but we believe there is a barrier to entry to the unified market based on size. So if you don't get over a certain size, you can't even compete." He points out that regardless of their level of skill, Spanish banks would never be able to handle a $1bn Eurobond issue for, say, the Kingdom of Sweden because they are too small.

The restructuring of the banking industry will go hand in hand with the modernisation of the stock market, where banks account for 65 per cent of the turnover. This will aid the evolution towards "universal banks", capable of handling all forms of debt and equity finance. Mr de la Debesa therefore stresses that there is a qualitative aspect as well to the planned reshaping of the banking industry.

The fact that banks also control large segments of Spanish industry means that the calibre of management is of particular interest to the Government. An unspoken aim of the modernisation drive is to replace the banking gerontocracy with a new generation of executives, and to restore the distinction between proprietors and management which has become blurred. Although the Government cannot nominate bank managements, it wants executives who are sensitive to its wishes. Mr Felipe González, the Socialist Prime Minister, will send a signal to bankers this summer when he decides whether to nominate Mr Rubio for another term as Governor, or to choose a party colleague instead.

Banco de Bilbao was expected to be the first bank to respond to the Government's call for change. Mr José Angel Sánchez Asiain, the chairman, has consistently advocated greater concentration in the banking industry. He claims that his alliance with Vizcaya will "make us twice the bank without twice the costs." Apart from strengthening the combined group's presence in the Spanish market, he says it will enable Bilbao-Vizcaya to expand abroad through acquisition.

European banks' performance
% of total assets in 1986

	Operating expenses	Net income
Italy	4.39	2.00
Spain	3.71	1.72
UK	3.23	1.72
W.Germany	2.75	1.38
France	2.06	1.02

Source: Bank Profitability. OECD 1988

But the Government's case for larger banks has attracted more sceptical comment elsewhere along the Paseo de la Castellana, Madrid's main thoroughfare, where most of the leading banks are headquartered. Politically, the spectacle of Mr Gonzalez's Socialist Government encouraging the concentration of capitalist banking power has obvious ironies which critics have latched on to, though generally Spain's business community views it as evidence of the Socialists' pragmatism, rather than as grounds for doubting their motives.

Even discounting an element of nationalism in the Government's approach, the argument that welding together larger banking groups will advance Spain's financial interests does not seem to carry much force.

"Size is not a problem," says Mr Jose Ramon Alvarez Rendueles, chairman of Banco Zaragozano and a formerGovernor of the Bank of Spain. He points out that, relatively speaking, Spain's largest banks already account for roughly the same proportion of gross national product and total banking assets as the leading banks of other countries.

Antipathy to merger is also evident at Banco Espanol de Credito (Banesto), which escaped a hostile takeover bid from Banco de Bilbao late last year after it was barred on a technicality by the Madrid Stock Exchange. Mr Mario Conde, the young entrepreneur who subsequently became chairman, has commissioned voluminous reports from Goldman Sachs on the benefits of mergers with all potential partners on the Spanish scene, but without reaching any convincing conclusions. "I have been studying mergers carefully, but I can survive for some time alone," he says. "I can survive being merged, but only if there is some kind of synergy."

Similarly Banco Central and Banco Hispano Americano, two of the most widely tipped merger candidates, are trying to keep aloof. "All the banks are exchanging information, but there are no serious negotiations going on between us and anyone to merge," says Mr Antonio Escámez, Central's director general in charge of international business.

Merger speculation persists, however. Last week it was Mr Conde's turn to deny an iminent merger between Central and Banesto.

The Government's vision of Spanish banks underwriting $1bn Euro issues is considered to be largely irrelevant to the central question of how banks should evolve. Since the country still has few commercial companies of international stature to provide a "piggy back" for international growth, the time may not even be ripe for Spanish banks to aspire to the status of the large British, West German or French banks, or to seek to build up large foreign branch networks. One of their main overseas functions would be to finance intra-EC trade, but that can be done with relatively modest banking operations.

Given the doubts about Spanish banks' ability to develop a large EC capacity, some bankers feel that they would do better to concentrate on developing a regional role in south-west Europe instead, and to build on their local strengths.

Much of the debate also hinges on the question of profitability, which is unlikely to be enhanced by merger or ambitious expansion overseas. "The Government is just looking at the size of banks, not their profits," says Mr Borja Garrido, an analyst with Iberagentes, a Madrid stockbroking firm. He maintains that banks which merge will never be able to eliminate duplication of staff and branches because of resistance to closures, so higher costs will always undercut the benefits of mergers.

Indeed, there is some regret that the only merger so far has been between Bilbao and Vizcaya. Both are based in Bilbao and therefore have considerable overlap in the north of Spain. Both are also among the most profitable and go-ahead of the Big Seven. It might have been better for each to merge with one of Spain's weaker banks and spread their stronger genes. On the other hand, the merger does bring together two of Spain's strongest and most aggressive banks, making a potentially powerful combination which will rank 37th in the world. "The merger is good for our shareholders, but not necessarily for Spain," says Mr Asiain, Bilbao's chairman.

A start could be made by encouraging banks to merge their individual groups: most of them operate through multiple banking subsidiaries which could be efficiently consolidated. This would also strengthen their resistance to foreign competition on the home market, which has increased sharply in the last five years and has prompted the Bank of Spain to limit foreign bank licences. The prowling of the Kuwait Investment Office has also awakened fear of foreign predators.

But though there are plenty of reasons for suspecting that Spanish banks might not benefit from a series of mergers, there is still a strong likelihood that at least one more major combination will occur in the next year or so.

Many of the objections raised by bankers are a natural defensive reaction from people who are under intense pressure to make important strategic decisions. It is easier for a bank chairman to argue that things should remain as they are – if only to quell all the rumour and speculation – than to talk openly of a matter as delicate as merging with a major competitor. Although both the Madrid Government and the Bank of Spain deny that they are leaning on selected banks to find partners, they make no secret of the fact that they would like at least one more merger to take place, so that Spain has two banking groups of international standing.

Few people doubt, though, that in the longer term a much more radical restructuring will be needed to meet the full blast of competition from the EC. The Spanish banks' high costs and high profits will be unsustainable in a unified market, and while bankers can currently choose whether or not to take a partner, that luxury may not last very long.

OBSERVER

Thieves take the credit

■ The new credit card telephones installed by British Telecom at railway stations and airports in London are proving a convenient aid to thieves working the neighbouring areas.

Thieves act quickly when they snatch a credit card because when they go on a spending spree there is always the risk of being rumbled if the loss has been reported.

The credit card telephones have been helping to take that doubt and anxiety out of the theft.

Ordinary users have to "wipe" their card through a unit at the side of the telephone to validate it on a computer. If the card is accepted, the unit tells you to proceed with dialling the number.

For the thief this is valuable information because it tells him the loss of the card has not been reported.

British Telecom, which has installed 90 of the telephones at King's Cross, Victoria, and Waterloo stations and Heathrow and City airports, admits that it has a problem it could do without.

The "thieves' authorisation terminal", as one credit card fraud investigator labelled it, has already proved useful to professionals. But BT, working with the credit card companies, Visa, American Express, Diners' Club and Access, is hitting back.

Fraud departments are unwilling to give too much away but the telephone computer, it seems, can be used to their advantage. When a card is wiped it can signal which exchange number is being used. That in turn allows police to target in on individual telephones. Investigators can also deliberately refrain from programming-in a sample of lost or stolen cards, so that if one of these turns up in the check the thief may be given the all-clear and thus lulled into a false sense of security.

Even then, the practical problems of having police on hand to catch the fraudsters remain. But it may help to restore the balance in what is becoming an increasingly complex game of cat and mouse.

Thieves in the provinces will have to wait a while yet. BT has plans to have 500 of the new telephones at large travel centres by the end of the year.

Waffle's grapes

■ The chief of media relations at the Internal Revenue Service in Washington is called Scott D Waffle. He does not entirely live up to his name because to most questions he replies that IRS policy forbids comment. However, he may have a soft spot somewhere, since he has written a book called "His Tender Grapes."

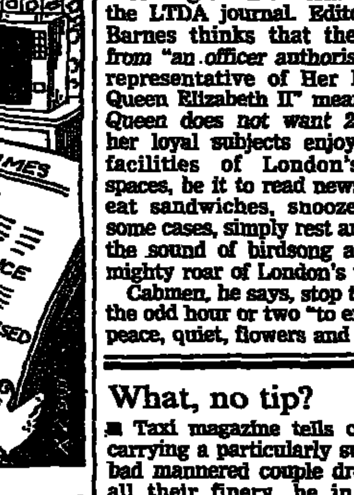
Cramped Armada

■ The Armada Exhibition at Greenwich, though worth seeing, is not all that it has been cracked up to be, and certainly does not live up to the catalogue. It is a bit cramped, not very well lighted and fails to present the broad sweep that one somehow expected. There is too much detail, not enough imagination.

Still, it is a wonderful outing, especially if you go by boat. It is odd to arrive at Greenwich and find yourself almost a tourist in your own country. On Saturday the foreigners seemed to outnumber the British. The French, in particular, were there in abundance, plainly unworried by the election at home.

The real discovery, or rather rediscovery, continues to be the river. Every time you go up and down the City stretch of the Thames nowadays, there is something new to be seen. Moreover, there is the feeling that the rebirth is still only just beginning.

People have begun to compare the developments with the way



that the French have always used the Seine as a central part of the Paris scene. Yet in the end, partly because there is so much space to play with, what happens around Docklands may be even more spectacular.

It is curious that so many Londoners have not yet been to see the new phenomenon arising almost on their doorsteps. Perhaps, once again, it takes a foreigner to notice the extent of change. We grew accustomed to decline for too long.

Green taxis

■ London's 20,000 apparently nature-loving taxi drivers are facing a new threat to their lunch-breaks from the direction of no less an authority than the Crown Estates Paving Commission.

In a breast-beating letter to the Licensed Taxi Drivers' Association, the commission has pointed out that it has become a growing practice of cabbies to park on Regent's Park roadways to "read newspapers, eat sandwiches" and "snooze".

Without a radical change in such practices, says the letter, the commission will excercise its powers under the Paving Statutes to take proceedings against nuisance caused by parking and the dropping of litter.

All this has touched a nerve according to an editorial in Taxi, the LTDA journal. Editor Dave Barnes thinks that the letter, from "an officer authorised by a representative of Her Majesty Queen Elizabeth II" means "The Queen does not want 20,000 of her loyal subjects enjoying the facilities of London's open spaces, be it to read newspapers, eat sandwiches, snooze, or in some cases, simply rest and enjoy the sound of birdsong after the mighty roar of London's traffic".

Cabmen, he says, stop there for the odd hour or two "to enjoy the peace, quiet, flowers and trees".

What, no tip?

■ Taxi magazine tells of a cab carrying a particularly surly and bad mannered couple dressed in all their finery, he in dinner jacket, she in diamonds and fur. The driver was given the sole, curt instruction: "Savoy". "Certainly sir," he said, "Would that be the main, the river, or the staff entrance?"

Boro parrots ill

■ Middlesbrough could be forgiven if they felt as sick as parrots yesterday after being widely tipped (particularly in our office) for the FA Cup and League Division II championship double and now finding themselves scrambling in the play-offs for the last promotion place.

Chelsea are 2-1 favourites with bookmakers William Hill to retain their first division status in the play-offs. Hills make Middlesbrough 11-4 second favourites with Blackburn and Bradford both offered at 3-1.

Philosophical joke

■ We pinched this from New Society because we liked it.

Question: what is red and invisible?

Answer: no tomatoes.

Victor Mallet explains why organisations trying to help Africa achieve economic recovery are taking a softer line

Making the medicine more palatable

BRITAIN has Mrs Margaret Thatcher, and Africa has the International Monetary Fund.

In the past decade both the Prime Minister and the Fund have prescribed stern financial discipline for their respective charges. Both have been accused of cruelty and shortsightedness for increasing unemployment and undermining social services.

The difference is that Africa is much poorer and politically more unstable, its economies are in much greater disarray and it seems to have failed to respond adequately, or quickly, to the monetary medicine doled out by the IMF and its allies, the World Bank and the bilateral donors.

Realising this and fearing another upsurge of African anti-capitalism, those who bankroll Africa's efforts to bring about economic recovery are engaged in a gradual but remarkable shift in thinking.

For the 25 or more African countries implementing donor-funded Structural Adjustment Programmes (SAPs), the benefits of this change of heart should come in the form of more donor money on easier terms and a series of special projects designed to alleviate the initial pain caused to the poor by economic adjustment.

Africa's politically vocal city dwellers, including unwanted civil servants who may be pruned from bloated administrations on the advice of the IMF, are always capable of staging food riots and destroying the reform effort, as they helped to do in Zambia in 1986. Henceforth they will be coddled in the early stages of adjustment.

In Guinea-Bissau, this means that civil servants on fixed incomes, who would suffer particularly from price increases associated with devaluation, will receive subsidised food on a declining basis over three years. In Senegal, sacked civil servants will be retrained and resettled as farmers in rural areas. In Mauritania, redundant workers from the iron ore industry will be helped to go into agriculture.

Ghana, which faced economic collapse in the early 1980s, is now regarded as one of the IMF's few success stories in Africa. But even their recovery is fragile and the poor have suffered, especially the urban population unable to benefit from higher producer prices for cocoa and food crops. Although the emphasis on agriculture is long overdue, urban discontent remains a threat.

"That is why the politics of stabilisation is so often also the politics of destabilisation," Mr Tsatsu Tsikata, adviser to the Ghana government, told a recent UN conference in Khartoum on African economic recovery. "A government determined to effect these transformations will face attempts to overthrow it."

To help Ghana, and some would say to save their own reputations, the donors pledged $84m (£45m) at a recent meeting in Geneva to a new idea with a new acronym – Pamscad, or the "programme of actions to mitigate the social costs of adjustment."

About 45,000 civil service and education jobs are to be phased out over the next three years under Ghana's IMF-sponsored reforms. Pamscad, similar in intention to employment schemes in Britain, is designed to generate at least 40,000 jobs to compensate.

Pamscad will build roads, dig 6,000

> Both the IMF and the World Bank have started to soften their approaches

latrines and 2,000 wells. It will provide food for the malnourished and credit for small farmers. It will even help to deworm the 80 per cent of primary school children who are said to suffer from intestinal parasites.

"We should have been moving faster on these social dimensions," World Bank representative Dr Stephen O'Brien said at the Khartoum conference, which focused on the human costs of economic adjustment. "We've been groping towards a better understanding."

"A recurrent theme in Khartoum was the importance and long-term economic benefits of social spending in acutely under-developed countries. "Only the well nourished, healthy and literate can consistently and increasingly be efficient and productive workers," said a paper by the World Health Organisation. The UN Development Programme argued that spending on health and education was more akin to investment than consumption.

Care for the poor, it was repeatedly stated, must be incorporated in economic programmes, not tacked on to financial targets as an afterthought. The World Bank and others are spending $10m to assess how to improve protection of the poor during economic adjustment.

The arguments have not fallen on deaf ears. Mr Richard Jolly, of the UN Children's Fund (UNICEF), a man at the forefront of the battle to give structural adjustment a more expansionary economic role and a more human face, speaks of a recent "wonderful" change in the attitudes of the IMF, the World Bank and individual governments, although he believes there is still a long way to go.

Donors have been waging a vigorous defence of their economic policies. They accuse their critics of confusing the effects of adjustment with the effects of the incompetent management which often went before. Social services are frequently on the brink of collapse when the IMF arrives. The donors also blame African governments for a lack of perseverance. "In some countries the adjustment process has followed an on-again, off-again pattern, with all the costs but few of the benefits of adjustment," said Mr Cyril Enweze of the IMF.

Above all it is the African governments themselves, not the IMF, which ultimately decide where to make the required budget cuts. They often reduce spending on health rather than on defence or government bureaucracy. The Sudanese Finance Minister, Dr Bashir Omar, was adamant that neither military spending on the country's pointless civil war nor expenditure on health and education could be reduced. He was not sure where the necessary cuts would be made.

Even within the health sector, governments are prone to yield to the traditional urban bias and spend money on large, expensive hospitals, instead of on rural health care.

Mr Ismail Serageldin, of the World Bank, put the problem like this: "Under the pressure of the present crisis, a number of governments have succumbed to the tendency to cut back on social spending at the basic and preventative levels, in favour of sustained spending in some other areas whose political constituencies are more powerful."

African countries and their allies have accused the Western donors, sometimes with great bitterness, of failing to keep a bargain made at a special UN session in 1986, whereby donors would be generous with aid money in exchange for African perseverance with economic reform. Canada's ambassador to the UN, Mr Stephen Lewis, went so far as to say last year that the international community was fundamentally delinquent and in the process of betraying a trust.

Certainly the continent's unmanageable $200bn external debt and the low world prices for most of its commodity exports have placed formidable obstacles in the way of recovery. But the IMF, the World Bank and individual donors are making attempts to ease Africa's peculiar difficulties.

Under Mr Michel Camdessus, the IMF is imposing softer conditions and targets for rundown African economies and providing balance of payments support with longer-term standby arrangements.

Increasingly the Structural Adjustment Facility (SAF) is used instead. New funds are trebling SAF resources to SDR 9bn (£6.7bn), much of it for Africa. Repayment will be over 10 years, with a 5½-year period of grace to ease the repayment burden. The IMF will try to buy out some expensive African standby loans with the new money on concessional terms.

The World Bank, meanwhile, has secured a $75bn general capital increase and extracted pledges in December from donor countries and international organisations of some $3bn in extra aid flows until 1990 for heavily indebted, low-income African countries undertaking reforms. Creditor nations have begun sporadic conversion of loans to grants – in other words they are cancelling some debts.

Ideological disputes about the "capitalist" role of the IMF will doubtless continue, but most of the countries in sub-Saharan Africa (Marxist-Leninist Angola is the latest) are doing their best to please the organisation which has much-needed cash and expertise and holds the key to additional support from other donors. At the Khartoum conference, only a couple of academics disputed the basis of Structural Adjustment Programmes and their emphasis on agriculture, exports and improved fiscal and monetary control.

Recognising the difficulties of short, sharp shocks in countries where absolute poverty is widespread, the IMF and the World Bank have started to soften their approach. Most African countries, for their part, are reluctantly shrugging off the discredited post-independence ideas of the 1960s, which glorified pervasive state intervention in the economy and led to a neglect of farmers.

World Bank figures show that annual per capita growth in gross domestic product in African countries with sustained adjustment programmes was 0.8 per cent between 1984 and 1986, compared with a fall of 2.5 per cent for those without. The Food and Agriculture Organisation says that in the same period per capita food production rose annually by 4.2 per cent in countries with structural adjustment, against only 2.4 per cent for those without.

The SAPs do not seem to be "tearing apart the fabric of African society," as claimed by Professor Adebayo Adedeji, who heads the UN Economic Commission for Africa. But none of the figures are particularly impressive, and Africa still has a long way to go.

AFRICAN DEBT

source: EIU Country Risk Service

	Total debt ($ bn)	Total debt (a) service ratio (%)	GDP growth (%)	Per capita GDP ($)	Per capita debt ($)
Sudan	8.3 (b)	10.0 (b)	3.5	250 (b)	373 (b)
Gabon	2.2	18.1	(-3.8)	2,823	2,052
Senegal	3.7	23.8	4.1	699	532
Liberia	1.4	7.6	(-2.4)	355	631
S.Africa	21.1	12.8	2.2	2,383	615
Nigeria	25.2	22.5	1.2	233	249
Congo	3.8	14.2	(-4.0)	1,763	2,072
Ghana	2.7	29.1 (c)	4.1	317	186
Kenya	4.7	29.7	5.2	345	213
Zimbabwe	2.7	40.0	(-2.0)	730	320
Cameroon	3.9	22.0	2.3	1,300	362
Zaire	8.2	10.0 (d)	2.0	76	254
Zambia	5.7	14.9 (e)	(-2.0)	192	779
Ivory Coast	8.9 (d)	22.0 (e)	0.5	1,156	857

a - total debt service as a % of exports of goods and services
b - 1986 estimates
c - if IMF charges and arrears payment included, the ratio rises to 57%
d - refers to medium and long term only
e - refers to public medium and long term only

Lombard

Don't privatise financial services

By Michael Prowse

To: The Head of the Home Civil Service

From: Sir Norman Goldison, Permanent Secretary, Department of Financial Affairs

Dear Jack, As you know, the Government plans to privatise part or all of the National Financial Service. I am writing, in an informal capacity, to express my extreme disquiet. In my opinion, the creation of the NFS was one of the finest achievements of the Attlee Government – second in importance only to the formation of the National Health Service. My objection to privatisation is not ideological, but technical: every academic study I have seen has concluded that the NFS provides greater equality of access, better value for money and higher ethical standards than the, mainly private, services offered overseas.

Take equality of access. Before the war, the quality of financial advice individuals and companies could obtain was entirely dependent on their means. Rich people tended to have their own "brokers" in the City who invested their funds in a sophisticated range of financial instruments. The poor could afford no advice and, if they had any savings, tended to put them in low interest building society accounts. Small companies likewise had to make do with relatively poor advice – often that offered by their local bank manager!

This sort of inequality is quite unacceptable in a humane society. The NFS, through its network of general financial practitioners, offers comprehensive services free at the point of delivery. The GFPs tend to specialise in either corporate or individual work. When they cannot solve a problem they are able to refer clients to NFS consultants, whose expertise is renowned the world over. There is, admittedly, a small private sector based around Threadneedle Street, but, to be frank, the NFS financial clinics often offer a much better service. Some consultants are so committed to the NFS that they won't accept private work.

The NFS is, of course, a burden on the taxpayer. But I should stress that Britain has kept much better control of financial costs than its competitors. Financial sectors in most countries absorb about half as much again of GDP as the NFS – in the US costs are completely out of control partly because of the ridiculous fees charged on Wall Street. The NFS is extremely economical for two main reasons. First, it reaps enormous economies of scale (the NFS dwarfs both Nomura and Merrill Lynch) and avoids the costly duplication of services that is the inevitable concomitant of free competition.

Even more important, the Treasury is able to maintain tight control of pay. The great virtue of the NFS is that GFPs and consultants are paid salaries based on comparisons with other public sector workers: fee-based systems are much less efficient and open to great abuse. Imagine how costs would escalate if consultants providing takeover advice were able to charge fees based, not on work done, but on the value of the "deals" completed! I need hardly add that so-called competition in other countries has not reduced such fees or brought financial-sector salaries into line with the rest of the economy.

Finally, we should also remember the importance of high ethical standards in finance. As you know the NFS record is impeccable, but if it were privatised we could experience scandals here in Britain comparable to the Ivan Boesky affair in the US. There is an enormous scope for abuse both because of the huge rewards available in the private sector and because customers have so little understanding of the products they are buying. At the very least, the protection of investors would require heavy regulation – and then we would have people complaining about the legalism of the rulebooks.

I don't deny the NFS has some problems. The clerks keep threatening to strike and waiting lists are still a headache. But these difficulties mainly reflect the Government's refusal to accept that demand for financial services is likely to rise faster than GDP in a mature economy. I do hope I can count on your support in fighting the privatisation threat.

Yours ever,
Norman.

Letters to the Editor

Nuclear risks and rates of return

From Mr Ian Jones.

Sir, Dr Helm (Letters, April 28) suggests that the required real rate of return for nuclear projects should be higher even than the 10 per cent cited in Max Wilkinson's recent article (April 18). Dr Helm's argument rests on the assumption that the systematic risk of nuclear projects is relatively high and that 10 per cent is the appropriate benchmark or market portfolio return. Both assumptions are questionable.

The first is based on a confusion regarding the nature of systematic risk. This depends upon the extent to which a project's returns vary in line with returns on a wider portfolio of assets (the market portfolio). Market analysts use so-called equity beta values as a measure of the systematic risk associated with holding a particular stock. Equity betas for the stocks of US utilities with substantial nuclear capacity suggest that the market views such stocks as relatively low-risk investments in the context of US regulatory arrangements. Systematic risk may therefore depend more on the contractual and regulatory framework imposed on the privatised electricity industry than on the characteristics of its technology. If so, it is perfectly possible for the required rate of return on nuclear projects to be closer to the risk-free rate of return than to the return earned on the market portfolio.

Is 10 per cent a good estimate of the return to the market portfolio? As Mr Watts (Letters, April 25) pointed out, 10 per cent is significantly higher than the average real return in the UK manufacturing sector in recent years. It is also higher than the real return to a wider set of UK industrial and commercial companies (ICCs), which averaged 5.5 per cent between 1973 and 1986, if North Sea exploration and production activities are excluded. Estimates of real returns to UK companies in 1987 (not included in Mr Watts' data) show continuing evidence of a recovery from the very low levels of profitability experienced in the early 1980s. But it is surely still too soon to assert with confidence that the long-run average return will be as high as the 10.5 per cent achieved by UK ICCs in 1987.

Prospects for the profitability of UK ICCs will no doubt remain uncertain. The important point to emphasise is that any view of the economic case for nuclear investment by privatised generating companies must not only take account of this factor, but also of the regulatory environment and its effect on systematic risk.

Ian Jones,
National Economic Research Associates,
18 Park Street, W1

From Mr Stephen Mobbs.

Sir, Dr Helm (Letters, April 28) asserts that the 10 per cent rate of return requirement for a nuclear station at Hinkley is probably too low because "the nuclear investment programme will heighten systematic risk, as investors observe the fate of nuclear industries abroad and consider the previous experience in the UK."

Dr Helm appears to be confusing systematic risk, which is the extent that the project's success is correlated with general economic performance, with specific risk, which is the part of the risk unrelated to general economic performance.

It is true that nuclear investment projects are very risky. However, it is far from clear that nuclear projects have particularly high levels of systematic risk and so should have particularly high discount rates applied to them. Furthermore, the poor performance of previous nuclear projects should be reflected in Hinkley's cash flow projections, not in a higher discount rate.

Stephen Mobbs,
62 Gibson Square, N1

Joining forces on City rates

From Mr C. Douglas Woodward.

Sir, I agree with Mr Martin Severn (Letters, April 27) that a 50 to 60 per cent rise in business rates over the next five years is a forbidding prospect and totally deplorable.

When I was quoted in the FT recently as saying that the large financial institutions "do not give two hoots about rates increases" I was attempting to show that while the small firms are sufficiently bothered to do something about the issue (for example the activity of the City of London Retail Traders Association) the big concerns seem, in my experience, never to raise a murmur of protest.

If, as Mr Severn says, many City financial directors are concerned (and I am sure he is right) I wish that they would individually and collectively raise their voices in protest – before these substantial increases come into effect. Some of them might even like to join forces with my association!

C. Douglas Woodward,
City Of London Ratepayers' Association,
404 Gilbert House,
Barbican, EC2

Meanings and usages

From Mr A.E. Meadowcroft.

Sir, Mr A.W. Mallinson (Letters, April 29) questions the use of the words slew and skew. He should have noted the source (New York) of the report in which they appeared and consulted an American language dictionary, available in many UK public libraries.

Thus, American Heritage of the English Language (Houghton, Mifflin Co) gives, in addition to the more familiar usages: "Slew (also Slue) (informal): A large amount or number; a lot: eg a whole slew of her friends. (Irish Gaelic, slaugh (army, host) from old Irish sluag, slog.)"

As one formerly in frequent discussion with American colleagues, I can assure you that this meaning was normal conversational usage, though, perhaps, used less often in writing. As with several other common words and terms, diversions of meaning sometimes added unexpected *interest* to our proceedings.

A.E. Meadowcroft,
1 Denton Road,
Horton, Northants

Anglo-Saxon etiquette

From Mr David Barron.

Sir, I much enjoyed Jean-Louis Barsoux's recent perceptive article on French business etiquette (April 25) and Mr de Bouillane de Lacoste's letter (3 May).

I recall that the late Stephen Potter neatly codified the equivalent Anglo-Saxon rules for "tutoi-ing" in his Law of Mean Familiarity (One-Upmanship, 1962), which states,

"The Guv'nor addresses: Co-director Michael Yates as Mike; Assistant director Michael Yates as Michael; Sectional Manager Michael Yates as Mr Yates; Sectional assistant Michael Yates as Yates; Indispensable secretary Michael Yates as Mr Yates; Apprentice Michael Yates as Michael; Night-watchman Michael Yates as Mike."

It seems that, in this respect at least, not much has changed on either side of the Channel in the last 36 years!

David Barron,
Tile Cottage,
Stebbing Green,
Dunmow, Essex

'The Budget changes have aggravated an anomalous aspect of CGT'

From Sir Anthony Jacobs.

Sir, Once again the Chancellor is to be congratulated upon the restructuring of another element of taxation, namely capital gains tax (CGT). One must agree that it is more equitable for CGT rates to mirror those of income tax.

For the shareholders in private companies, however, a previously anomalous situation has been greatly aggravated by the changes. It is perhaps not generally know that if a private company is floated on the Stock Exchange or alternatively sold, that the March 31 1982 value of the share is calculated in a special way.

With the re-basing of the value of assets at March 31 1982 and the full indexation thereafter the effect may be dramatic.

Thus, if a company has a rebased value at March 31 of £1m its indexed cost would be about £1.4m. If a family of five were working in the business and the shares were held by just one member of the family then £1.4m would be the deemed cost for CGT. If, however, the shares were equally held by each member of the family then under Revenue practice the deemed cost would be reduced by about 75 per cent to £350,000. Hence there would be an additional CGT liability of £420,000. The Revenue practice is based upon the principle that a minority interest cannot be valued on the same basis as a controlling interest even though in the case of a flotation or sale the value of the business is based upon the agreement of all the minority shareholders acting in concert.

It is to be hoped that the legislation presently going through Parliament will be amended to distinguish between minority interests which on their own have no influence and are valued on disposal, for example death, at a *discounted figure*; and those disposals where all shareholders act together and therefore value all interests at market value based on control.

Anthony Jacobs,
9 Nottingham Terrace, NW1

FINANCIAL TIMES
Monday May 9 1988

Deborah Hargreaves on Wall Street

Japanese opt for the Windy City

JAPANESE brokerage houses are moving to Chicago to hedge their phenomenal investments in US Treasury bonds, where they look set to become as big a force as they have on Wall Street.

The influx into the Windy City's futures markets comes at a time of partial liberalisation of Japan's financial regulation and, although it is still in its early stages, the big four Japanese securities houses have been buying seats on Chicago's exchanges for the past four years.

At the end of April, Nikko Securities became the first Japanese securities firm to be registered as a clearing member on the Board of Trade. A week earlier Nomura ceremoniously made its first options trade on the Chicago Board Options Exchange – the first by a Japanese investment firm for its own account.

Mr Toshio Mori, chairman of Nikko Securities International, explained: "In order for us to provide quick, accurate and timely information, we need to be a clearing member and have our own facility on the floor as Japanese institutions become aggressive participants in the futures markets."

Futures and options are new concepts for Japanese investors and their potential in these markets is as yet largely untapped. But with almost $100bn invested in US Treasury bonds, Japanese institutions have huge exposures to hedge.

Until fairly recently, Japanese investors' access to Chicago's futures was limited by restrictions on participation in foreign markets. In May 1987 Japan's Ministry of Finance permitted institutions to trade foreign futures for their own account and, in March this year, the ministry loosened regulations governing access to foreign options markets.

In contrast to the rest of the industry – which has been reducing, or at best freezing, its hiring policy in the wake of October's stock market crash – Nikko is considering doubling the size of its Chicago operations in the foreseeable future. This depends on the development of its business which, Mr Mori says, has increased greatly in the past month.

So far, Nikko has only three traders in the Chicago Board of Trade's frenetic Treasury bond futures pit. It is not talking about massive expansion, but looking for a steady growth in business.

The firm has also applied for clearing membership of the Chicago Mercantile Exchange, where it is interested in trading stock index futures, particularly the Nikkei stock index contract, which the CME hopes to launch later this year. It is looking further at involvement in currency and Eurodollar futures.

Nikko also plans a foray into the options market – an area its customers are only just beginning to exploit. Nomura kicked off the Japanese options move when it bought calls (options to buy) in the CBOE's Standard & Poors 100 stock index options contract. All four major Japanese securities houses are also discussing membership of the CBOE.

Because options are so new to Japanese investors, they will probably just experiment with them for about a year. Mr Mori says: "So far only a very small proportion of their portfolios are devoted to options." But the potential for the cash-rich Japanese institutions is huge.

While many market participants in Chicago see the Japanese as being a potent force in the market within the next year, their influx is not greeted with universal glee. The perception of Japanese firms as technocrats with low-cost and competitive clearing systems has dug itself a firm hole in the Windy City. One player says: "I see them getting into high-efficiency, low-cost clearing and becoming very competitive."

Mr Mori agreed: "Needless to say, we will be very competitive when dealing with Japanese clients." The company would also attempt to attract business from US firms, but he expected this to move more slowly.

Nikko is developing its own computerised system for use in the next three to six months. However, Mr Mori stressed that the firm would continue to clear part of its business through other futures firms.

The exchanges themselves have done much to attract Japanese participation in their markets. The CBOT had its eye on Far Eastern investors when it introduced its three-hour evening session in April last year. In addition, the CBOT and CME have plans to trade Japanese stock-index futures contracts and the CBOT recently entered a co-operation agreement with the Tokyo Stock Exchange on developing a Japanese Yen bond futures contract in Chicago and US T-Bond futures in Tokyo.

Gdansk shipyard workers face removal by force

BY CHRISTOPHER BOBINSKI IN WARSAW AND NANCY DUNNE IN WASHINGTON

TALKS AT Poland's strikebound Gdansk Lenin shipyard ended in an acrimonious ultimatum last night as management withdrew a previous pay offer and told strikers to leave the yard or face prosecution.

This was taken to mean that the estimated 1,000 or more workers holding out in the shipyard will be removed by force by state police.

Mr Piotr Konopka, an aide to Solidarity leader Mr Lech Walesa, said negotiations yesterday lasted only one hour, in sharp contrast to talks held on Saturday which the union considered "a big step forward."

"It's going to be an interesting and important night ahead of us. It's a withdrawal (of previous promises) and a return to blackmail and ultimatum," said leading dissident Mr Adam Michnik, speaking to reporters at the nearby St Brygida's Church.

The ultimatum came after a warning by the US that American support of Poland's economic recovery plan was now "in jeopardy" because of the failure of the Jaruzelski regime to achieve "national reconciliation."

In Washington on Saturday Mr John Whitehead, US deputy Secretary of State, condemned "the violence, the imprisonments, the beatings that are reported to be taking place in the areas where the strikes are being put down by government" forces.

Mr Whitehead said the US had been planning, "to take a constructive attitude," supporting Poland in its dealings with the International Monetary Fund, the World Bank and in Paris Club rescheduling.

Eventually, loans from American commercial banks and even the US Government had been a possibility.

This might all be lost now, Mr Whitehead said, not only because of the withdrawal of American backing but also because of reaction in Europe and elsewhere in the world to the Polish Government's hardline handling of the strikes.

Last year the US, heeding the pleas of Polish workers and the Roman Catholic church, lifted the sanctions it had imposed against Poland in 1981. These had reduced Polish exports to the US by almost one half to about $250m a year.

Last year Mr Whitehead was the highest-ranking State Department official to visit Poland since 1981. He told leaders then that improvements on human rights and moves to a freer economy would boost commercial ties with the US.

The talks on Saturday, apparently the result of pressure by the Polish Church authorities, began just as it appeared that the seven-day sit-in strike by 1,000 or so shipyard workers was faltering for lack of support.

The move came as Mr Kazimierz Barcikowski, a senior party official, saw Cardinal Joseph Glemp, the Church leader, to apologise for the use of force in Krakow against strikers on Thursday.

On Saturday night the Gdansk strikers rejected an offer of guarantees of safe conduct and a 15,000 zlotys-a-month pay increase and decided to hold out for their demands for the return of the Solidarity trade union.

The Church was angry at the failure of its previous mediation effort in Krakow when it in effect demobilised the strikers hours before the assault, only to see the riot police go in.

Over the weekend there were reports of detentions throughout the country more than 100 Solidarity activists and opposition supporters. Mr Janusz Onyszkiewicz, the Solidarity spokesman, was jailed for six weeks for passing information to the Western media.

In Krakow 15 of the strikers caught in the steel mill when the riot police went in were sent to prison for four weeks while another six were charged and are to be held for three months pending an investigation.

Yesterday, Cardinal Glemp warned the authorities against provoking unrest and the people against starting a revolution which could bring only chaos and misery.

US acts to widen share of Manila's aid burden

By Stewart Fleming in Washington

THE REAGAN Administration is trying to put together a multi-billion dollar package of financial aid for the Philippines, most of which would be provided by Japan, Korea and West Germany and by commercial banks, Administration officials confirmed yesterday.

However, some officials discounted reports that Washington was seeking commitments of $10bn over five years from these sources, saying that such a figure was "unrealistic."

The proposal – still in its preliminary stages – did not imply any fundamental change in the debt strategy guided by Mr James Baker, US Treasury Secretary.

The move appears to represent an important initiative by Washington to share the burden of supporting Western interests more widely among its allies at a time when the US military and foreign aid budgets are under pressure because of the huge Federal budget deficit.

Monetary officials in Washington say the figure of $10bn over five years – cited in a report in the Washington Post daily newspaper yesterday – would come mainly from commercial banks and US allies, with the US providing perhaps only $130m-150m a year. One major hurdle would be persuading commercial banks to provide such large amounts.

Other officials questioned whether such a sum could be absorbed by the Philippine economy and suggested that a total nearer $5bn might be envisaged.

There has been a persistent undercurrent of concern in Washington about the stability of President Corazon Aquino's Government and unease about the future of the Philippines, a key strategic interest in the Pacific.

The US and the Philippines are formally reviewing the arrangement under which Washington pays $180m a year for the use of two of America's most important military installations in the Pacific – the Clark Air Base and the Subic Bay Naval Base.

Manila wants more money and greater control of the two bases.

The Washington Post report yesterday described the proposal as a "mini-Marshall plan" for the Philippines and said that it had already been widely discussed within the Reagan Administration, with Congress and with officials in Tokyo, Bonn and Seoul, as well as other European countries.

Sears sells UK store chain and unveils disposal of US shoe unit

BY CLARE PEARSON IN LONDON

SEARS, the UK stores, betting and footwear group, has sold Lewis's, the department store chain, for about £74m ($133m) cash as part of its strategy of concentrating on speciality retailing.

Sears also said yesterday that it was selling the loss-making US Butler footwear chain to its management for about $50m.

Mr Geoffrey Maitland-Smith said Sears did not want the distractions of underperforming businesses while it concentrated on developing its core footwear and clothing chains, and, through the acquisition of Freemans, the UK mail order retailer last January, move into home shopping.

Selfridges, the profitable London department shop, will now be Sears' only remaining department store interest. It was primarily for Selfridges that Sir Charles Clore, Sears' founding father, originally bought Lewis's 25 years ago.

The sale of Lewis's takes the form of a "bought deal", with Midland Montagu, the investment banking arm of Midland Group, fully underwriting the entire financing requirement in the first instance. The £48m debt requirement, and £26m of the equity requirement, will be mainly syndicated out, although Midland will retain a £5m equity stake.

Sears' full year results, to be announced tomorrow, will include extraordinary losses amounting to about £12m and £35m on the sales of Lewis's and Butlers respectively.

The disposal by Sears of the US footwear chain, Butlers, had been expected for some time. Like other British retailers, it has found it difficult to adapt its management techniques to the US market. During the last financial year sales and trading losses amounted $160.5m and $8.2m.

Sears will receive $40m from completion of the Butler management buy-out and $10m on a deferred basis.

But Sears' only other US interest, the Miss Erika woman's wear wholesaler has been profitable and the company has no plans to sell it, Mr Maitland Smith said yesterday.

The Al-Fayed family, which owns House of Fraser, bought an 8.2 per cent stake in Sears from Bell Group of Australia at the end of last year. This is viewed by the company as friendly.

Analysts' forecasts for Sears' results for the last financial year range between about £230m and £245m, against £212m in the previous year.

Mitterrand triumph

Continued from Page 1

Despite Mr Mitterrand's victory, the country remains on tenterhooks over whether the presidential election will be followed by general elections. President Mitterrand has repeatedly indicated that he would seek to govern with the existing National Assembly, without calling immediate general elections. But it remains to be demonstrated whether he can find a reliable parliamentary majority unless he does call new elections.

Within the next few days he is expected to appoint a prime minister, who would then form a government. Mr Mitterrand has left open the possibility that the prime minister might not be a socialist, and indicated explicitly that the government could well include non-socialists and even people from outside the political world.

The names most popularly touted for the premiership include leading figures on the right of the Socialist Party, who could be counted on to build bridges both with the centre of the political spectrum and with the world of business. Among the most widely canvassed candidates are Mr Pierre Beregovoy, former Socialist finance minister and campaign manager for Mr Mitterrand during this election, and Mr Michel Rocard, former Socialist agriculture minister and darling of the right-wing of the party.

Only if his first government were "prevented from acting", in Mr Mitterrand's words, would he dissolve the National Assembly.

Mr Mitterrand's plan for an enlarged centre-left majority in the National Assembly is based on the splits and antagonisms within the French right, which have been intensified by the National Front breakthrough.

In the hope of wooing Mr Le Pen's voters, Mr Chirac and the populists in the Gaullist party, led by Mr Charles Pasqua, the hard-line Interior Minister, shifted their campaign rhetoric towards the right, to the dismay of centre-right politicians, notably in the centrist CDS party, but also in the moderate wing of the Gaullist party. Yesterday leading figures in the UDF, such as former president Mr Valery Giscard d'Estaing, Mr Pierre Mehaignerie, and Mr Jean Lecanuet, all adopted a cautious pragmatic attitude towards the re-election of Mr Mitterrand.

The rightward shift of the Gaullist leadership could persuade centrist politicians to take more interest in Mr Mitterrand's overtures. Many political commentators believe, however, that Mr Mitterrand will be compelled to seek new elections within the next twelve months, since the electoral basis for a centre-left government could well be challenged by cantonal elections this autumn and municipal elections next spring.

Mr Mitterrand's dilemma is the difficulty of steering a parliamentary course between the centrists and the ultra-right.

Champagne and canapés

Continued from Page 1

Mr Mitterrand had won a landslide and was close to the result returned for General de Gaulle of 55 per cent in 1965. That year, Mr Mitterrand had stood in his first of his four presidential attempts polling nearly 45 per cent. In his 1981 victory against President Giscard d'Estaing he scored 51 per cent.

At seven o'clock, Mr Lech again addressed the crowd. The trend was firmly set at 54-46 for Mitterrand. He also disclosed the findings of the first projections of the other major French polling organisations.

They all said the same thing. President Mitterrand had been elected for a second seven-year mandate and had inflicted a sever defeat on Mr Jacques Chirac, the Gaullist RPR prime minister who had flung everything he had in a feverish campaign to beat Mr Mitterrand.

Even the dramatic finale of the election, with the release of the three French hostages in the Lebanon and the events of New Caledonia, did not help Mr Chirac recoup the ground he lost dramatically during the first round when he polled just under 20 per cent and saw the National Front of Mr Jean Marie Le Pen score 14.4 per cent.

Before the computer projections were made public on television at eight o'clock-the crowd at the Meridien was not allowed to leave the hotel basement until eight o'clock nor allowed to go near a telephone-the first instant political analysis of the results were flying around the huge rooms.

For Mr Chirac and the mainstream French right, the results are a disaster. Mr Chirac's political future is now under threat and he will have to fight to maintain his position as the leader of the French right which risks strongly of splitting up in three pieces in coming months.

The first projections also showed that 53 per cent of the electorate under the age of 35 voted for Mr Mitterrand, another 53 per cent of people between 35 and 59 voted for Mr Mitterrand.

Mr Chirac made his best score with voters aged 60 and over, polling 56 per cent in this age group. Mr Mitterrand's landslide victory also means that many centrist voters who had supported in the first round Mr Raymond Barre, the former right wing prime minister, did not vote for Mr Chirac in the second round.

But the pundits and guests at the Meridien last night said that the biggest risk now was to see Mr Le Pen gain further ground as a result of Mr Mitterrand's strong score last night.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	S	23	73	Malta	F	21	70	Rhodes	S	24	75
Algiers	F	27	81	Edinburgh	D	9	48	Manchester	F	15	59	Rio de J'o	C	29	84
Amsterdam	C	21	70	Faro	S	21	70	Manila	F	37	99	Rome	S	24	75
Athens	S	22	72	Florence	S	29	84	Melbourne	C	17	63	Salzburg	C	16	61
Bahrain	S	30	86	Frankfurt	C	19	66	Mexico City	F	29	84	San Francisco	C	11	52
Bangkok	F	33	91	Funchal	S	22	72	Miami	F	26	79	Seoul	S	22	72
Barcelona	F	18	64	Geneva	C	19	66	Milan	F	22	72	Singapore	S	32	90
Beirut	F	25	77	Gibraltar	S	22	72	Montreal	S	10	50	Stockholm	F	16	61
Belfast	F	15	59	Glasgow	R	10	50	Moscow	C	7	45	Strasbourg	C	20	68
Belgrade	S	19	66	Guernsey	C	14	57	Munich	C	16	61	Sydney	F	20	68
Berlin	S	19	66	Helsinki	F	15	59	Nairobi	F	24	75	Taipei	C	24	75
Biarritz	C	17	63	H. Kong	F	31	88	Naples	S	33	91	Tangier	F	20	68
Bombay	S	33	91	Innsbruck	F	24	75	Nassau	F	28	82	Tel Aviv	S	27	81
Bordeaux	C	17	63	Inverness	F	12	54	New Delhi	S	38	100	Tenerife	S	22	72
Brussels	C	21	70	Islamabad	F	36	96	New York	S	12	54	Tokyo	F	17	63
Budapest	S	18	64	Istanbul	F	20	68	Nice	S	20	68	Toronto	S	9	48
B. Aires	F	14	57	Jakarta	C	33	91	Nicosia	F	30	91	Tunis	S	27	81
Cairo	S	34	93	Jersey	F	20	68	Oporto	C	15	59	Valencia	F	27	81
Cape Town	F	25	77	Jo'burg	S	19	66	Oslo	S	17	63	Venice	S	25	77
Caracas	C	29	84	Lima	F	25	77	Paris	C	20	68	Vienna	C	18	64
Casablanca	F	20	68	Lisbon	F	19	66	Peking	F	21	70	Warsaw	S	17	63
Chicago	F	19	66	London	C	18	64	Prague	S	18	64	Washington	S	13	55
Cologne	C	20	68	Los Angeles	C	18	64	Reykjavik	C	6	43	Zurich	S	19	66
Copenhagen	S	16	61	Luxembourg	C	19	66								
Corfu	S	24	75	Madrid	F	19	66								
Dallas	-	-	-	Majorca	S	24	75								
Dublin	C	14	57	Malaga	S	24	75								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

SPD in landslide victory

Continued from Page 1

ment. They gained only 4.4 per cent of the votes, down from 5.2 per cent in September, failing as a result to garner the 5 per cent score necessary for entry to parliament. The Greens ecology party will also go unrepresented, falling to 2.9 per cent from 3.9 per cent.

The upset underlined the effect on voters and party morale of a shattering political scandal last autumn over a "dirty tricks" campaign against Mr Engholm by Mr Uwe Barschel, the previous Christian Democrat Prime Minister.

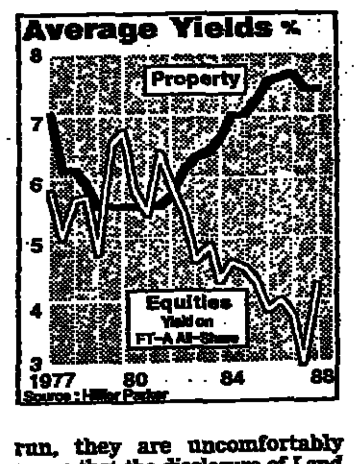
Mr Barschel committed suicide in Geneva last October after he was forced to resign, and a parliamentary investigation has since shown that allegations of his plot against the SPD were true.

The defeat deals a blow for Mr Gerhard Stoltenberg, the Bonn Finance Minister and chairman of the CDU in Schleswig-Holstein since 1971. Mr Stoltenberg, accused during the Barschel affair of not keeping tight enough control over the state, now risks a further erosion of his political influence and credibility. He admitted last night that his party had been "deeply affected" by the Barschel scandal.

THE LEX COLUMN

Properties stand as equities fall

One of the biggest surprises about the October 19th global stock market Crash is that the event has had virtually no impact so far on the world economy. Economic growth remains robust, corporate confidence is high, and, after a temporary hiccup, property prices continue buoyant in most major markets. Indeed, if some of the dire predictions being made six months ago about the consequences of the Crash were to be believed, the destruction of wealth in the equity markets should have had an equally serious knock-on effect in the property market by now.



To date, there is little evidence that this has happened to any large extent. In the world's leading financial centres, which should be the first to feel any recessionary draughts, property prices have been remarkably resilient. Admittedly, land prices in Tokyo have fallen by between a fifth and a third from their peak of last September, but the net gain in 1987 still far outstrips the rise in the local stock market. Weatherall Green & Smith, which conducts a regular international rent survey, says that the costs of prime office space in Tokyo are 20 per cent up on a year ago and unchanged on pre-Crash levels. Meanwhile, in the City of London, office rental costs have risen by close to a third over the past year, and while the pace has slowed in the past few months, rents continue to rise. Of the major financial centres, only in New York have rental values fallen since the Crash, and there the decline is less than 5 per cent.

Property shares

The story is much the same in many of the smaller regional financial centres. In Hong Kong prices of industrial property and luxury residences fell by around 10 per cent in the early weeks after the Crash but have now more than recouped their losses and property prices currently are often more than a third higher than they were a year ago even though the local stock market is 35 per cent below its peak, according to Morgan Stanley. In the UK the shares of heavyweight property groups, such as Land Securities and MEPC have risen by a fifth this year – putting them among the best-performing FT-SE stocks – and over the past year the FT-A property index is up by around 12 per cent whilst the overall market is down by a similar amount. And while some analysts argue that it might be wise to start taking profits given the sector's phenomenal run, they are uncomfortably aware that the disclosure of Land Securities' net asset value – due on May 18th – could make them look foolish.

Direct investment

After several years of underperformance, direct property investment by UK institutions began to pay off handsomely in 1987, notwithstanding the Crash. According to WM Company, which monitors pension fund performance, the total return on property came to 19.4 per cent last year, compared with 7.1 per cent in equities. Given the continuing strong rental growth in areas such as industrial property, an even better investment performance is expected in the current year. In the US, direct investment in property has thrown up less spectacular returns for the institutions, but none the less the Frank Russell Company, which monitors US pension fund performance, calculates that the 5.3 per cent total return on property in 1987 bettered investment in both stocks and bonds.

The surprising buoyancy of property markets around the world after the Crash and the strong divergence in performance relative to equities pose a serious dilemma for UK fund managers, in particular. Having run down the property portion of their investment portfolios from 23 per cent in 1979 to a historically low level of 8 per cent in 1986, they are now in danger of missing out on one of the few areas of the financial markets which is still enjoying boom conditions. The £738m of net property investment in the fourth quarter of 1987 – the biggest quarterly sum in a decade – indicates that many institutional investors are rushing to rebuild the property balance in their portfolios. Not only are average yields of 7.4 per cent still almost double the returns on equities and comfortably ahead of inflation, but rents are likely to grow faster than company dividends for the next couple of years.

The potential worry about property is that any recession will result in lower demand for space, and this in turn will lead to a slowdown in rental growth and an eventual fall in property values. One has only to look at Texas, where office space has recently been changing hands at less than half the rental levels of just four years ago, or US farmland prices, to get a sense of the sort of damage a deep recession can cause to property investors. In the UK, memories of the mid-1970s, when the combination of exchange controls and roaring inflation forced many institutions to overinvest in property because there seemed no real alternative, still make some institutions hesitate about committing themselves heavily once again to a sector whose returns have lagged behind those of the equity and bond markets over the last decade.

Property boom

While prime office yields of around one per cent in Tokyo, continue to arouse nervousness that one day its local property market might suffer a dramatic setback, which could send shockwaves through the financial markets, there is little sign yet that the UK property market is in any danger of overheating. The current strength of the UK economy, when combined with a relatively favourable supply/demand position, means that the current UK property boom could easily continue for another 18 months to two years. Beyond that, however, it is difficult to forecast, and movements in interest rates, and the severity of any slowdown in the world economy, will be crucial to the longer-term performance of both the property market and property shares.

Clearly, fears that last October's Crash would severely damage property markets have been proven to be false, and this is another sign that the event was largely a stock market phenomenon with little relevance to the global economy. But while this is comforting, there is always a danger that institutions may be laying the groundwork for a second property crash by channelling too much money into a market which, despite its current attractions, remains considerably less liquid than the equity market.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday May 9 1988

EUROCREDITS

Flexibility across the board despite interest rate doubts

ALTHOUGH DOUBTS about rising interest rates plague the world's bond markets, the international loans market continues to show itself able to provide flexible finance for a broad group of borrowers.

Among them last week was First Interstate, the US west coast bank, which is raising a three-year $400m credit through Credit Suisse First Boston.

It carries a facility fee of 7½ basis points, rising to 10 basis points after 90 days cumulative usage.

The margin over London interbank offered rates (Libor) is 6¼ basis points, and utilisation fees start at 3¾ basis points if more than one-third used, and 6¼ basis points if more than two-thirds drawn. The facility will replace bilateral bank credit lines.

US bank holding companies are not much in favour these days, but First Interstate, rated double-A, is reckoned as one of the best. The terms are not generous, but the short maturity and bank relationships should carry it.

CSFB has also launched its $200m financing for Stora Finans, finance subsidiary of the big Swedish forest products group.

It has an initial five-year maturity, with an option to extend it for a further two, and pays a facility fee of 5 basis points for years one and two, and 6¼ basis points for years three to five. A margin of 6¼ basis points is payable, with a 7½ basis point utilisation fee if more than half drawn.

County NatWest has been mandated by Broken Hill Holdings, the Melbourne-based mining and paper group, to arrange a $150m, five-year note issuance facility. It carries a 9 basis point underwriting fee, and a margin of 12½ basis points, plus a further 7½ basis points on any amount drawn over $75m.

Melioconsorzio, the group of Italian agricultural lending agencies, is said to be seeking funds, with a launch of a deal imminent.

Terms could not be confirmed with the lead managers, although some bankers outside the group were looking for a L400bn 10-year deal, with a 10 basis point commitment fee, and a margin split between 15 and 18¾ basis points. A group of five Italian and two Japanese banks were also said to have been awarded the mandate.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	350.3	4.6	418.0	6,393.7
Prev	1,068.3	193.5	82.8	10,215.3
Other	2,545.4	383.3	530.0	712.9
Prev	4,362.4	25.6	658.3	887.8
Secondary Market				
US$	12,118.9	1,246.9	6,806.8	5,421.1
Prev	16,541.4	1,773.1	4,564.9	5,554.3
Other	17,892.9	1,647.5	3,887.1	20,400.5
Prev	22,397.3	1,209.3	4,873.7	23,323.1

	Cedel	Euroclear	Total
US$	10,857.9	21,902.4	32,760.3
Prev	10,174.0	29,819.6	39,993.6
Other	22,257.0	25,742.6	47,999.6
Prev	24,468.5	33,269.0	57,737.5

Week to May 5, 1988. Source: AIBD

The world of aircraft finance stirred last week, after Mr Harry Goodman's Air Europe said it would spend $1.4bn over the next five years on 22 medium-range Boeing 757-200s and eight short-range 737-400s.

The aim is to buy, not lease, the aircraft but there was no word on how the finance would be put together.

A $2bn financing for British Airways has gone into syndication. Underwritten last summer, the financing will support the purchase of Boeing 767-300s, for short to medium haul routes.

The terms on this financing, being arranged by National Westminster, Chemical and Mitsubishi, have not been disclosed. However, it certainly carries a long maturity – 20 years was being talked of last summer – and very fine pricing.

Bankers often remark on the tortuous negotiations needed to secure a loan mandate with Indian state enterprises. A $150m, 10-year loan for state-owned Air India seems to be proving no exception.

According to a Reuters report from Hong Kong, international banks are being asked to requote their pricing for the credit. One banker was quoted as saying: "After nearly two months of hard work, we are now back to square one."

National Westminster is in the market with a refinancing for Pakistan International Airlines of a $91.75m five-year tax-spared loan it signed two-years ago, which carried a margin of ⅝ point. The new credit is for $63m over seven years, but its terms have not been released.

Guardian Royal Exchange doubled the size of its sterling commercial paper programme to £150m, and Barclays de Zoete Wedd has arranged an extra £75m five-year back-up facility.

Stephen Fidler

INTERNATIONAL BONDS

New issues fail to inspire confidence in Eurodollar sector

AGAINST a less than reassuring background of nerves about inflation and interest rates, seven borrowers raised a combined $1.4bn in the Eurodollar bond markets last week.

However, far from signalling any improvement in the dollar's still tarnished image, the character of the issues reinforced market perceptions that the sector is still extremely fragile.

The eclipse of the dollar has been one of the most significant developments in the Eurobond markets in the past few years. As Mr Don Roth, treasurer of the World Bank, pointed out last week, a recovery in the fortunes of the US currency would undoubtedly engender a recovery in the the Eurodollar sector.

Eurobond market turnover figures for 1988 show activity in non-dollar currencies significantly surpassing that in dollar bonds for the first time.

In the first quarter of this year, dollar-denominated bonds accounted for 29 per cent of total new issue volume, barely changed from the record low of 28 per cent in the previous quarter.

An improvement in the dollar's fortunes seemed further away than ever this week, following comments by Mr Alan Greenspan, Federal Reserve Board chairman, that rather than aiming to stabilise the US unit, the Fed's primary objective is to avoid a complete dollar collapse.

Last week saw the resurgence of fears that global interest rates are headed upwards and prompted several borrowers into issuing new dollar deals to lock into cheap funds before an anticipated Fed tightening of monetary policy.

Dealers pronounced that the appearance of a four-year $300m bond for International Business Machines was a sure sign that rates were poised to rise, given the borrower's past issuing habits.

Syndicate managers said that last week's crop of deals graphically illustrated that present market nerves meant that finely-tuned pricing – matching spread to borrower – was more important than ever for the Eurodollar sector.

Although market undertone was decidedly bearish all week, high levels of dollar liquidity among potential institutional investors mean that an accurately pitched issue will still find reasonable demand.

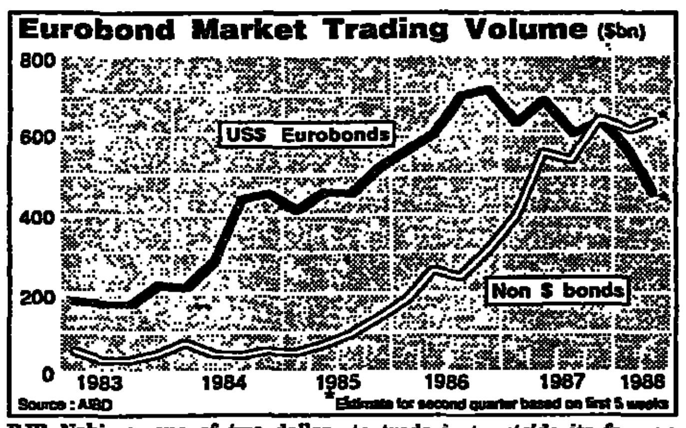
The week's first and long-anticipated offering was Banque Paribas Capital Markets' seven-year $250m deal for Nippon Telegraph and Telephone, cited by several syndicate managers as one of the few names which could have made a success of such a long issue right now.

The issue came with a characteristically generous 69 basis point spread over Treasuries and a testament to its popularity was the fact that it was still trading within fees late on Friday, in spite of a dollar bond sell-off.

The other issue on Tuesday was also a $250m deal, a three-year bond for Ford Motor Credit. Goldman Sachs led the offering, which dealers felt suffered somewhat by following Merrill Lynch's three-year $300m issue for General Electric Capital Corporation the previous week.

Ford's double-A credit and the 57 basis point spread at launch were thought to fall between two stools – not quite classy enough to come to the market at such a margin. The deal was manfully supported but by the end of the week had slipped to trade outside its fees.

A $100m three-year deal for



RJR Nabisco, one of two dollar bonds through UBS Securities last week, was the surprise of the week. A lack of enthusiasm about the borrower's status as a single-A rated US corporate was compounded by unhappy memories of the company's last disastrous foray into the market last year.

A rival syndicate executive commended the sensible pricing, a 70-basis point spread at launch, which, he said, compensated for the apparent negative aspects of the deal.

Late on Friday, the deal slipped to trade just outside its fees on the back of the softer Treasury market.

There was general market excitement when IBM's four-year deal finally surfaced after reported competitive bidding for the mandate.

At an initial margin of 37 over Treasuries, "tight but right" was one comment from a syndicate manager at a house not involved in the deal.

Although the computer group is another top-rated credit whose name is thought to ensure excellent demand for any deal, dealers said that some accounts had initial problems with the lack of a direct parent guarantee for the bond, which was issued through a Netherlands-based financing subsidiary.

However, the bond is backed by a support agreement from IBM World Trade and is fully expected to be well-placed, although the lead manager did concede that the bearish tone of the secondary markets had slowed demand somewhat.

Bankers Trust International and Swedish Export Kredit astounded the market by joining forces to bring a one-year $200m issue only days after Kidder Peabody had launched a practically identical deal for the self same borrower.

Most of the market is still mystified by these novel one-year maturities, which appear to have neither the liquidity of a US Treasury bill nor the obvious yield advantages of a deposit.

SEK reputedly achieved a low cost of funds with the first one-year bond but managed to get even better rates with the second, which BTI said was not a conventionally swapped issue.

The deal also had a marginally more attractive absolute yield at launch and was consequently trading at a slight premium to the Kidder transaction, late on Friday.

BTI said the deal had been syndicated in smaller allotments to a wide range of banks. A large proportion of the Kidder deal was thought to be still on the lead manager's books.

BTI said it had done a significant amount of work to identify pockets of investor demand for this sort of paper and had not ruled out bringing more similar issues in the near future.

Daiwa Europe brought Banque Indosuez to the market with a $200m five-year deal but market reception was far from enthusiastic. The deal apparently suffered following an early report of its terms, which turned out to be erroneous, making its final pricing appear misjudged. This type of incident was also cited in the case of the GECC deal the week before.

UBS Securities brought an enthusiastically received $100m three-year issue for a financing unit of its triple-A rated parent, Union Bank of Switzerland.

Dominique Jackson

Henkel and Colgate set to abandon venture

By George Graham in Paris

HENKEL of West Germany and Colgate-Palmolive of the US are expected to announce soon that they are abandoning their planned joint venture to produce washing liquids and detergents in France.

The joint venture would have brought together the two largest detergents companies in the French market, and bacause of its scale had been referred to the French competition council.

Although the council has not yet delivered its verdict, the two companies are understood to have revised their plans in anticipation of an unfavourable ruling.

The two companies announced in September that Colgate would take a half share in Lesieur-Cotelle, the household products company it had just bought from the French foods group St Louis. The joint venture would manufacture all Cotelle's range, with Colgate and Henkel dividing the product range between them for sales and distribution.

The original agreement gave Colgate Cotelle's bleaches, household soap and window cleaning products, while Henkel was to market its washing-up liquids, household cleaners and fabric softeners.

Both groups are already leaders in the French cleaning products market, and the addition of such well-known brands as La Croix and Mir was thought to give them together up to 75 per cent of the market in some household product areas.

Neither company would comment, but details of a new plan, dividing Lesieur-Cotelle between Henkel and Colgate without the joint venture on the manufacturing side, are expected to be presented to trade union representatives next week.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Icahn poised for control of TWA

BY JAMES BUCHAN IN NEW YORK

MR CARL ICAHN, the New York takeover specialist, is poised to gain complete control of Trans World Airlines, with approval by the airline's board for a proposal to buy out other shareholders for about $300m.

Mr Icahn, who has claimed the credit for restoring the airline's fortunes since he took over as chairman in 1985, will recoup much of his original investment in TWA in cash and end up with 90 per cent control.

Mr Icahn made the offer last month, after an earlier attempt to buy out other stockholders foundered when the stock market crashed last October.

TWA, which reported operating profits of $210.3m last year after a loss in 1986, said that an independent committee of its board approved a revised offer from Mr Icahn of $20 in cash and a $30 face-value bond for each of the shares he did not own.

The deal is a small improvement on the offer unveiled in April, when the bond was to have a face value of $29.

The deal is structured as a leveraged buy-out. Mr Icahn, who invested about $440m or $20 a share for his current 77 per cent of the airline, will receive the $20 a share in cash but, in place of the bond, he will receive a mixture of common and preferred stock to give him the 90 per cent necessary for complete control.

The remainder will be held by an employee stock-ownership scheme.

The deal, which values the entire company at about $1.2bn, will be financed through an issue of junk bonds made by TWA before the crash.

If it is approved by minority stockholders, Mr Icahn will recoup the cash he has sunk into the airline and is expected to use it for other acquisitions.

● Texas Air, the big airline group which last week sued two unions for attempting to destroy its troubled Eastern Air Lines subsidiary, said that it lost $124.3m in the first quarter, against $100.7m in the first quarter of 1987.

Eastern, which usually does best in the first quarter because of its Florida routes, lost $64.5m before special gains.

Revenues at the group, which includes Continental, rose 4.2 per cent to $2.13bn.

Citicorp sells fund managing offshoot

By Roderick Oram in New York

CITICORP has sold its domestic institutional investment management business to USF&G, a leading US insurer, for $102m.

The disposal marks the retreat of another US money centre bank from fund management, which many banks have found to be inadequately profitable.

The subsidiary manages about $17.5bn of assets, mainly of corporate and government pension plans and insurance companies.

Citicorp said that it would continue to manage money abroad, while at home it would concentrate on individual investors and employee benefit funds.

USF&G said the acquisition by its financial services division fitted its goal of a larger role in fund management. Before the purchase, the division handled $8.5bn of the parent insurance company's assets and $1.5bn from outside clients.

Other banks which have left the field include BankAmerica and Manufacturers Hanover, both because of their requirements to rebuild their battered finances.

Although Citicorp faces less immediate financial pressure, it has been weeding out businesses it considers to be unattractive in the long term.

Merieux expected to return with modified bid for CDC

BY ROBERT GIBBENS IN MONTREAL

INSTITUT MERIEUX, a biotech subsidiary of France's Rhône Poulenc, is widely expected to come back with a modified bid for CDC Life Sciences, a Canadian publicly held company specialising in the manufacture of insulin.

However, Merieux officers and lawyers attending the Toronto annual meeting of CDC Life declined to comment on analysts' speculation over a new bid.

Last week, Merieux withdrew its share tender offer for 20 per cent of. CDC Life after the Ontario and Quebec Securities Commissions ruled it did not treat all shareholders equally.

Merieux already owned 12.6 per cent of CDC Life. It also planned to buy another 20 per cent block from the Caisse de Depot, the Quebec pension fund investment arm, in June next year for 15 per cent above the market price at the time.

This would have given it just over 50 per cent. The commissions objected to the Caisse de Depot deal.

Shareholders at the CDC Life meeting backed management efforts to block the Merieux bid. Mr Brian King, the chairman, has indicated he is looking for a white knight to counter Merieux.

CDC Life earnings last year rose one third, on a 20 per cent gain in revenues. One of its subsidiaries in Montreal is 50 per cent-owned by Marion Laboratories of the US.

● Imasco, the Canadian financial services, fastfood, retailing and tobacco products group, posted higher earnings in the first quarter.

Net profit was C$44.6m (US$36.2m) or 34 cents a share, up from net operating profit of C$37.6m or 28 cents a year earlier.

Revenues were C$1.14bn against C$1.05bn. Operating results from tobacco products and the Canadian drugstore group were up 16 and 13 per cent, respectively.

The US drugstore group reduced its loss significantly year to year. Imasco is 40 per cent controlled by BAT Industries of the UK.

Repap plans C$500m expansion

BY OUR MONTREAL CORRESPONDENT

REPAP ENTERPRISES, a publicly held pulp and coated paper producer with annual sales of more than C$1bn, is going ahead with a C$500m expansion plan at Newcastle, New Brunswick.

The programme is in three parts. First, a further lightweight coated-paper machine costing C$370m will be installed beside an initial Valmet machine just completing start-up.

This second machine, made by Voith in Brazil and with 300-inch trim width, will have annual capacity of between 230,000 and 260,000 tonnes. It will make both no. 4 and no. 5 grades. It is due on stream late in 1989.

The lightweight coated paper market in North America grew 12 per cent last year and in the first quarter of this year at an annual rate of 15 per cent. Mr George Petty, chairman of Repap, said the expansion was market-driven.

US customers are putting up a substantial part of the equity for the machine and will take a proportionate share of output. The debt will be less than 50 per cent of capital cost.

Second, Repap will install a new recovery boiler in the Newcastle pulp mill at a cost of C$64m.

Finally, it will build the first commercial demonstration pulping plant using the patented Alcell process. Capacity will be 33 tonnes a day and the cost C$65m. The process was conceived in Montreal 20 years ago, sold to US interests, and then bought back by Repap along with its expert staff three years ago.

The Federal Government is putting up half the cost under its research grant programmes.

The Alcell process uses alcohol instead of sulphur-containing chemicals, has a simple recovery system and uses less bleaching.

It provides sulphur-free lignin that provides a second-income stream. Cost per tonne is two thirds of a conventional kraft pulp mill and it can be built in small increments.

Noranda's earnings rebound to C$129m

By Our Montreal Correspondent

NORANDA, Canada's largest integrated resource group, rebounded in the first quarter because of soaring profits from its forest products subsidiaries, aluminium, gold and base metals, and from its manufacturing interests.

If the North American and world economies keep on track, Noranda expects the uptrend to continue and its earnings should pass the C$500m (US$400m) mark, said Mr Alfred Powis, the chairman.

First-quarter earnings were C$128.7m (66 cents a share) on revenues of $2.06bn, up from $29.5m (14 cents) on revenues of $1.65bn a year earlier. For all 1987, Noranda earned C$343.5m or $2.14 a share.

The climb in the Canadian dollar over the past 12 months has reduced Noranda's earning power by about C$100m after tax on an annual basis, since a large proportion of its resource products are exported to the US and around the world.

In mid-1985, Noranda was in a debt crisis, but the turnaround in world primary product prices and the sale of assets have brought total long-term debt to 26 cents per $1 in equity.

Mr Powis said all Noranda's assets were now conservatively valued, even in the context of another recession, enhancing the stability of future earnings.

The company will spend more than C$1bn this year on capital projects, more than half going to pulp and paper modernisation and expansion.

● Bow Valley Industries, the Canadian oil and gas company in which British Gas recently acquired a 51 per cent equity interest, reported a marked decline in first-quarter earnings, reflecting unfavourable currency fluctuations and lower energy prices.

In its latest quarter, the Calgary-based company reported net income of C$7.4m (US$6m) or 7 cents a share, compared with C$12.4m or 18 cents a year earlier.

Capital expenditure increased by nearly 35 per cent from 1987 levels to C$39.8m, with more than half of the 1988 first-quarter outlays spent on ongoing development projects in the Brae area of the North Sea.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nissin Food Products♦	300	1993	5	(4½)	100	Nomura Int.	*
NTT♦	250	1995	7	9½	101⅝	Bqe Paribas Cap.Mkts	9.175
Ford Motor Credit♦	250	1991	3	8⅝	101¼	Goldman Sachs	8.187
Sea Otter‡♦	53	1993	5	(a)	100.10	NKK Secs.Europe	-
RJR Nabisco♦	100	1990	2	8½	101	UBS Secs.	7.946
IBM Int. Finance♦	300	1992	4	8⅝	101¼	J.P. Morgan Secs.	8.246
Swedish Export Credit♦	200	1989	1	7⅝	100¾	Bankers Trust Int.	6.824
Banque Indosuez♦	200	1993	5	9⅛	101⅞	Daiwa Europe	8.647
UBS Finance NV♦	100	1991	3	8⅜	101⅛	UBS Secs.	7.939
Mitsubishi Oil♦	100	1993	5	(4¼)	100	Yamaichi Int.	*
Keihan Electric Railway♦	150	1993	5	(4¼)	100	Nikko Secs.	*
CANADIAN DOLLARS							
New Zealand♦	125	1995	7	10½	101⅝	Merrill Lynch	10.164
AIDC♦	100	1993	5	10½	101¾	Wood Gundy	9.667
Ville De Montreal♦	80	1995	7	10½	101¾	Societe Generale	10.139
AUSTRALIAN DOLLARS							
SBC Australia♦	75	1991	3	12⅛	101¾	SBCI	11.608
Westpac Banking♦	75	1992	4	12⅝	101½	Westpac Banking	12.130
ANZ♦	100	1992	4	12⅝	101⅝	ANZ Merchant Bk	12.089
Berliner Bk AG♦	40	1993	5	12¼	102	Berliner Bk Int.	11.699
State Elec.Comm.Victoria♦	60	1995	7	12¼	100⅜	Hambros	12.167
DEUTSCH MARKS							
National Home Loans Corp♦	150	1993	5	5½	101⅛	Deutsche Bank	5.238
CIBC♦	200	1998	10	6⅜	100¼	Salomon Brothers AG	6.340
LKB Baden-W Finance♦	100	1993	5	5¼	100½	Trinkaus Burkhardt	5.134
Fletcher Challenge Fin.♦	200	1994	6	5⅞	100¼	Commerzbank AG	5.824
LUXEMBOURG FRANCS							
Skan Enskilda Banken**♦	300	1993	5	7⅛	100	BGL	7.125
EIB**♦	300	1995	7	7	99⅞	Caisse d'Epargne Lux	7.023
Mo & Domsjoe AB**♦	300	1993	5	7⅜	100	BIL/Svenska H'bkn	7.375
SWISS FRANCS							
Nationwide Anglia B.S.♦	200	1993	-	4	101	Credit Suisse	3.777
Remy et Associes**§♦	175	1995	-	2¼	100	Swiss Bank Corp	2.750
BFCE♦	200	1998	-	4½	102¼	Credit Suisse	4.343
Sogn Og Fjordane**♦	73	1993	-	4	101	SBC	3.777
Sparekassen SDS**♦	100	1993	-	4	100¾	UBS	3.832
Total**¶♦	100	1995	-	3⅛	100¼	UBS	3.085
Cariplo**♦	100	1995	-	4⅛	100⅝	UBS	4.021
Rural&Ind.Bk of W.Aust**♦	50	1993	-	4⅛	101¼	Bqe Paribas (Suisse)	3.845
Tiroler Wasser♦	100	1988	-	4½	101	Credit Suisse	4.374
DANISH KRONER							
Finance For Danish Ind.♦	300	1992	4	10	100½	Den Danske Bk AS	9.843
Cabepa Fin. SA♦	300	1993	5½	10⅛	100½	Privatbanken	9.973
YEN							
Intel Inv.♦	10bn	1993	5	(b)	101⅞	Nomura Int.	-
Bergen Bk(c)♦	5bn	1992	4	6¾	101¾	Morgan Stanley	6.242

*Not yet priced. **Private placement. ♦Final terms. ‡Floating rate note. §With equity warrants. ¶Convertible. With currency warrants. (a)Coupon at 25 basis points over 6 month Libor. (b)Coupon set at 4.5 for the first year and 4.8 thereafter. (c)Redemption linked to Nikkei Stock Average. Note yields are calculated on an AIBD basis.

Irish Life pays $30m for Iowa insurance company

BY ERIC SHORT IN LONDON

IRISH LIFE, the largest life assurance company in the Irish Republic, is paying $30m cash to acquire Iowa-based Inter-State Assurance from Central Life as part of a plan to expand in the US. Carrig International, Irish Life's US subsidiary, is making the purchase.

The Irish Government holds 90 per cent of Irish Life, but plans to privatise the company. However, the holding is hindering the acquisition, since many states have restrictions on government-owned insurance companies.

In the short-term Irish Life can overcome these problems by establishing a voting trust to hold the shares of Inter-State.

However, Mr David Kingston, managing director of Irish Life, said the long-term position was unclear and depended on progress in privatising the company.

Irish Life's long-term strategy is to be a strong international life assurance group. In 1987, premium income amounted to I£619m ($983m) with funds under management at the year-end of just under I£3bn. Inter-State had a premium income of $23.4m in 1987 and year-end assets of $52m.

Bang & Olufsen defensive move

By Hilary Barnes in Copenhagen

BANG & OLUFSEN, the hi-fi equipment and TV set maker, has secured itself against possible takeover by an outsider.

The controlling A shares are owned by about 40 members of the founding families. Holders of A shares have right of first refusal to acquire A shares.

By selling one A share each to five Danish pension funds, family members cannot now sell shares to an outsider.

Mr Vagn Andersen, chief executive, said the family wanted to ensure the company stayed under Danish control.

INTERNATIONAL CAPITAL MARKETS

A $50bn dilemma for Japanese banks

By David Lascelles, Banking Editor

JAPANESE BANKS may require up to $50bn of additional equity in order to comply with the proposed international capital rules which come into force in 1992.

This calculation has been made by IBCA, the London-based credit rating agency, in an assessment of the impact of the new rules being prepared by international bank supervisors in the Basle-based Cooke Committee.

IBCA says that the Japanese banks' equity needs will be large because of their low published ratio of equity to total assets. And it is not certain how the new capital will be obtained.

However, the Japanese banks have three options. They can realise some of their hidden reserves, which are contained in undervalued holdings of publicly quoted stocks, although the Basle proposals will allow only 45 per cent of such reserves to qualify. Otherwise they could improve profitability while restricting asset growth, or they could tap the public markets.

The IBCA study shows that the long-term credit banks and the city banks will be worst hit.

●France's Eurofranc committee, grouping the Treasury and large banks, has approved the reduction to three years from five of the minimum maturity of French franc bonds issued on the international market, Reuter reports from Paris.

US MONEY AND CREDIT

Rush of tax receipts will aid bond auction

THIS WEEK, the US Treasury will auction $26bn worth of three-year, 10-year and 30-year securities.

This is less of a draw on the bond and note markets than traders had feared because tax receipts are pouring into Washington and cash balances are healthy. Indeed, so good is Washington's cash position that it will pay off part of the national debt for the first time since the first quarter of 1981.

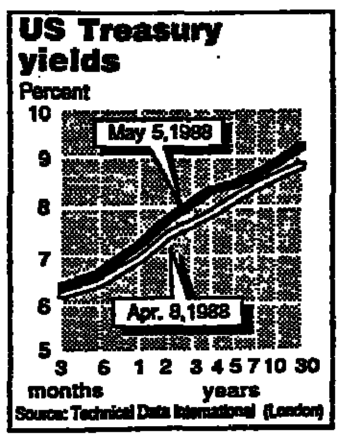
In normal circumstances, this would be wildly bullish for the US credit markets. But this week is not normal circumstances.

The auction takes place in a bond market that has been progressively demoralised by its own inflationary fears. Traders and analysts are bracing for a sharp fall in bond prices and there is talk of long-term interest rates of *over 9.25 per cent – and perhaps higher* – to attract domestic and Japanese buyers at the auction.

Mr Robert Brusca, money market economist at Nikko Securities, says: "Any way you look at it, the refunding is going to be a mess."

There is nothing traders like better than to talk down bond prices before the Treasury's regular quarterly refunding. That way, they can buy at the auction and sell into the rally that is likely to follow.

But this time, a good part of the gloom is genuine. The market is now convinced that the Federal Reserve Board will have to tighten monetary policy to rein in the US economy.



Source: Technical Data International (London)

Whether the tightening occurs this week or after discussion at the meeting of the Federal Reserve's Open Market Committee on May 17 does not matter greatly to the market.

Mr Brusca says: "The refunding will be priced on the basis of their tightening."

The market's loss of nerve came on Friday morning with the release of official figures on employment in April. These figures are always closely watched as a pointer to the condition of the economy, prices and inflation, but this time they mesmerised the market.

Very little trading was done in the first four days of the week, as investors waited for the figures.

The figures, when they came, were good for jobs but bad for the credit markets. Non-farm payrolls did not rise as much as the market feared, increasing by only 174,000 when some bears were talking of a rise of 300,000. The market rallied for a minute but then was deflated by a string of depressing ancillary statistics.

The average work week and overtime got longer, hourly earnings rose, there were more jobs in manufacturing and the monthly household survey showed an increase in civilian employment.

The unemployment rate fell to 5.4 per cent of the labour force, which is the lowest level since June 1974, which is not a year any financial market likes to be reminded of. Good-sized increases are now expected in such important factors in the economy as personal income and spending and industrial production.

By the close on Friday, the Treasury long bond had fallen two-thirds of a point to yield 9.16 per cent.

Mr David Jones, money-market economist at Aubrey Lanston, said: "The bulk of the evidence is on the side of an economy that is growing and pushing at the edges of available capacity.

"We are seeing the classical symptoms of an economy reaching full employment at the end of its expansion cycle."

Mr Jones and many other market economists believe that higher prices and a catch-up in wages is now inevitable. With other leading industrial economies running at a stronger pace, foreign central banks may be less willing to import inflation by supporting the dollar through to the presidential election.

In testimony before Congress last week, Mr Alan Greenspan, the chairman of the Federal Reserve Board, appeared to indicate that unemployment could fall further without pulling an inflationary trigger.

Meanwhile, *the Fed's open-market* operation through April, and last week, did nothing to prepare the market for a tightening of policy.

None the less, the market's best bet is that there will be a moderate tightening. The Fed probably cannot tighten as much as the bond market would like, because an aggressive move to deflate could cause a collapse in the stock market, which remains extremely fragile.

Mr Brusca says: "They've got to remember last time, back in September, when the tightening process coincided with the stock-market crash." This may mean that the discount rate will stay put but that Federal funds, a key short-term rate, will be massaged upwards to 7 per cent or over.

According to Mr Philip Braverman of Irvin Securities, a 30-year bond yield of 9⅝ per cent would fully discount snugging to 7 per cent.

* * *

The following economic statistics are due for release this week. With them are median forecasts of a group of economists surveyed by Money Market Services of Redwood City, California.

●Retail sales for April, due on Thursday at 8.30 am. These are expected to be unchanged after a strong 0.8 per cent rise in March. The forecast ranged from down 0.7 per cent to up 0.7 per cent.

●Producer Price Index for April, *due on Friday at 8.30 am.* Prices of finished goods are expected to have climbed 0.4 per cent after the 0.6 per cent increase in March. The range of forecasts runs from a decline of 0.3 per cent to an increase of 0.6 per cent.

●Business inventories for March, *due on the same day at 10 am.* These are expected to have climbed 0.2 per cent in March after a 0.6 per cent increase in February. The economists surveyed put in forecasts ranging from down 0.1 per cent to up 0.4 per cent.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.67	6.93	6.92	7.78	6.27
Three-month Treasury bills	6.30	5.99	6.04	7.17	5.03
Six-month Treasury bills	6.52	6.35	6.28	7.65	5.41
Three-month prime CDs	7.15	7.10	6.93	8.28	6.67
30-day Commercial Paper	6.88	6.85	6.75	7.62	6.43
90-day Commercial Paper	6.95	6.95	6.73	8.05	6.47

US BOND PRICES AND YIELDS (%)

	Last Thurs.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97⅞	-⅝	8.78	8.67	8.32
20-year Treasury	101½	-½	9.20	9.14	8.73
30-year Treasury	97⅛	-½	9.16	9.11	8.60
New 10-year "A" Financial	n/a	n/a	9.88	9.88	9.40
New "AA" Long utility	n/a	n/a	10.25	10.25	9.75
New "AA" Long industrial	n/a	n/a	10.13	10.13	9.65

Source: Salomon Bros (estimates).

Money supply: In the week ended April 25, M1 rose by $11.7bn to $778bn

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 2/5/88	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	144.58	4.26	144.66	142.40	137.38
Government Bonds	145.67	3.87	145.88	142.94	138.36
Municipal Bonds	146.18	4.66	146.14	144.26	137.81
Govt.-guaranteed Bonds	147.56	4.65	147.51	145.67	138.63
Bank Debentures	138.05	4.16	138.03	136.72	133.37
Corporate Bonds	143.45	5.29	143.36	141.67	135.69
Yen-denom. Foreign Bonds	144.08	6.41	143.98	141.85	136.07
Government 10-year†	4.82		4.79	4.86	5.20

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Brokers await Bank Bulletin with unease

THE GILT-EDGED securities market ended an uneventful week last Friday barely changed from the levels of a week earlier, and uneasily but expectantly looking forward to this Thursday's release of the Bank of England's Quarterly Bulletin.

The bulletin has never been known for the colour of its prose but more so for the peerless balance it strikes between obscurity and enlightenment. The principal drafters of the opening general *assessment face an interesting* challenge in reconciling monetary policy since they last reported in February.

On the prevailing view of the economy, current domestic demand pressures and the growth rates of key monetary aggregates would, all things being equal, imply a need for a tightening of the monetary reins.

The problem is the exchange rate and that leads to the uneasy truce between Nos. 10 and 11 Downing Street. The Prime Minister would appear to be concerned about inflation and the Chancellor about the competitiveness of British industry.

This has resulted in the worst of both worlds. Base rates are at their lowest nominal level for 10 years, and the exchange rate some 5 per cent higher than at the time of the Bank's last bulletin. Meanwhile, the markets want – but cannot quite bring them*selves – to believe that we now* live in a world where policy is tighter compared with what it was before.

A balanced assessment of the dilemma the authorities now face, and the arguments for the view that policy is too loose, was provided by Warburg Securities last week. In it, Mr John Shepperd listed six indicators which point tentatively to a need for a tighter policy stance.

The indicators are: the shape of the yield curve; narrow money supply; broad money supply; house prices; equity prices; and the exchange rate.

The judgment one makes about these factors critically depends on the analysis of the real economy and the symmetrical nature of policy. The alarm bells the monetary data seem to be ringing gain force if they reflect constraints in the real economy. *Latent fears of inflation matter* most if the pound weakens and the authorities do nothing.

Warburg is sanguine on capacity constraints and believes the Bank will act to support sterling if, and when, it falters by raising interest rates. For the bears, then, some comfort is provided.

There is, however, an alternative view of the market which says provocatively that all of the above is missing the point. This somewhat heretical position is adopted by Mr Kevin Boakes of Greenwell Montagu, the broker.

He points to the transformation of the public finances, the fundamental changes in the UK labour market, few signs of domestic or imported cost pressures, the optimism about the future for industry which is leading to new investment and the favourable view foreign investors now have of Britain, which all add up to a view that growth is good for the gilts market.

Furthermore, the indicators about which the market gets excited and concerned, such as the monetary aggregates and bank lending, have proved to be false friends, and pointers to inflationary pressures in the economy.

Bank lending reflects the strong investment intentions of industry and a spreading of the fruits of growth, via higher house prices, to parts of the UK outside the south-east. Rising house prices elsewhere could help improve labour mobility as workers are not as disadvantaged by the large gap in relative house prices on their return to their home base.

The concern the market has over the rising trend in pay settlements also ignores the fact that the higher wages and salaries being paid are done so at the discretion of management and in response to strong productivity gains not, as in the 1970s, after a gun *had been put to management's* head. UK unit labour costs rose by 2 per cent last year, compared with 2¾ per cent in West Germany.

As Mr Boakes points out, a downturn in UK output could be the worst thing of all, because of the output/productivity equation. If output slows then the beneficial cyclical effect on productivity will fall away and the result will be a commensurate rise in unit labour costs.

Finally, he asserts that the current strength of sterling is not temporary but reflects an external reassessment of the the UK. Only by cutting interest rates further will sterling settle to more acceptable levels.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS

	Issued	Bid	Offer	Chg on day	Chg on week	Yield
ABN BANK 8½ 91	150	98¾			-¼	9.02
AETNA LIFE & CAS 7⅛ 16	200	94½			-¼	8.25
AHFC O/S FIN 11¼ 94	100	100½			-⅛	11.40
A.L.D.C. 11 89	75	101¼			-⅛	8.79
ALBERTA 7⅞ 91	750	96¼			-⅛	8.63
ALCOA AUSTRALIA 11 92	80	101⅞			-⅛	10.40
AUSTRALIA 11¼ 90	100	104			-½	9.32
AUSTRALIA 11¼ 00	100	107⅛			-⅛	10.12
AUSTRIA 7¼ 97	200	88¼			-⅛	9.49
AUSTRIA 8½ 90	250	100¼			-⅛	8.31
BANK OF TOKYO 8⅞ 96	100	92¾			-⅛	9.80
BANK OF TOKYO 11 90	125	103½			-⅛	8.88
BANK OF TOKYO 11⅞ 90	100	106¼			-⅛	8.95
BANK OF TOKYO 13⅞ 89	100	106¼			-⅛	8.75
BARCLAYS JERSEY 10¼ 90	250	102¼			-⅛	8.71
BARCLAYS JERSEY 10½ 95	250	104¼			-⅛	9.77
BELGIUM 7¼ 91	250	96			-⅛	8.86
BELGIUM 7¾ 91	300	97½			-⅛	8.74
BELGIUM 9¼ 92	400	100¼			-⅛	9.03
BETAWEST PROP 7¾ 93	150	94¼			-⅛	9.22
B.F.C.E. 7¼ 93	100	92¼			-⅛	9.23
B.F.C.E. 7¾ 97	150	88⅞			-⅛	9.68
BK NOVA SCOTIA 7⅞ 91 SW	150	96¼			-⅛	9.09
B.N.P. 8¼ 93	125	97¼			-⅛	9.50
B.N.P. 13½ 89	150	105⅞			-⅛	8.79
BP CAPITAL 9¼ 93	150	101¼			-⅛	9.21
BP CAPITAL 11¼ 92	150	105¼			-⅛	9.35
BR.COL HYDRO 11¼ 93	200	109⅞			-⅛	9.32
CAMPBELL SOUP 10⅞ 95	100	105¼			-⅛	9.38
CANADA 10⅞ 88	500	101			-⅛	8.38
CANADA 11½ 90	500	105¼			-⅛	8.31
CANADIAN IMP BK 16¼ 91	100	104½			-⅛	14.87
CANADIAN NAT RAIL 14⅞ 91	100	104¼			+⅛	12.92
CANADIAN PACIFIC 7½ 96	100	87¼			-⅛	9.76
CANADIAN PACIFIC 10¼ 93	100	103¼			-⅛	9.77
CANADIAN PACIFIC SECS 15 89	75	107			-⅛	8.87
C.C.C.E. 7½ 91	113	95¼			-⅛	8.79
CENTRUST SAVINGS 0 10	1,250	20⅛			-⅛	11.07
CEPME 7¼ 92	125	94⅞			-⅛	8.95
CHEVRON CORP 8⅞ 95	300	99⅞			-⅛	9.76
CITICORP 11¼ 92	100	101¼			-⅛	11.09
COLGATE-PALMOLIVE 9½ 95	100	98¼			-⅛	9.71
COMM BK AUSTRALIA 10 93	100	102⅞			-⅛	9.29

STRAIGHT BONDS: Yield to redemption of the mid-price; Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C cpn = current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on MAY 5

UK COMPANY NEWS

Thorntons' listing gives £79m value

BY PHILIP COGGAN

Thorntons, the chocolate retailer and manufacturer, is joining the stock market via an offer-for-sale sponsored by S G Warburg and Granville.

Just under 17m shares, 27 per cent of the equity, are being offered at 125p each, valuing the company at £78.6m. About half of the shares being sold are new, netting the company around £8.5m.

The company is forecasting pre-tax profits of £7.4m for the current financial year, which ends on May 30. The shares are on a prospective p/e of 15 at the offer price.

● **comment**

On the surface, there are two reasons why Thorntons might prove an exceptionally popular offer-for-sale. The first is the "chocolate wars" involving Rowntree and (potentially) Cadbury Schweppes which has made investors realise the value of brand names. The second is the public's enthusiasm for speciality retailers which manifested itself in last year's stampede for shares in Sock Shop and Tie Rack. However, the likelihood is that Thorntons will be modestly, rather than overwhelmingly, oversubscribed. Although it has name recognition, it is nowhere near being an international brand name on the lines of Mars or Kit Kat. And unlike Tie Rack or Sock Shop, it is not a pure retailer. It has extensive manufacturing operations and food manufacturing companies trade on lower multiples than food retailers. Despite that, the shares are being offered at a premium to the food retailing sector when property profits are stripped out; that may be justified by the quality of the group's marketing and products, but it does indicate that the scope for a premium in the after-market will be limited. However, there will be enough sweet-toothed small investors to get the issue safely away.

Ensign Trust buys 28.7% of Corporate Estates

BY CLAY HARRIS

Ensign Trust, the investment trust controlled by the Merchant Navy Officers' Pension Fund, has paid £5.4m for a 28.7 per cent stake in Corporate Estates Properties, USM property company.

Ensign bought its holding at 72p a share, a premium to Friday's closing price of 68p. Ensign bought the shares from three directors and United Trust and Credit, financial services subsidiary of USM-quoted UTC Group. United Trust's stake falls from 16.7 per cent to 9.4 per cent as a result.

Mr Leonard Phillips, Corporate Estates chairman and managing director, said his company had been seeking the long-term financial backing of a City institution.

Ensign had committed itself to maintaining the stake above 25 per cent as Corporate Estates expanded and as options and warrants were exercised.

The group had already received offers in excess of the £41.5m it paid less than a fortnight ago for four London office buildings, Mr Phillips said. One of the four had been sold immediately for £19.6m.

Mrs Juliet Cogswell of Ensign will join the Corporate Estates board as a non-executive director.

Grampian Hldgs expands

BY VANESSA HOULDER

Grampian Holdings, the Scottish industrial conglomerate, yesterday announced a £2.45m placing and the £5.15m acquisition of Pitlochry Knitwear Company, a retailer of Scottish woollen goods.

Grampian will create a new divisional holding company, Grampian which will be responsible for the operations of both Pitlochry and Grampian's existing retail subsidiary, Moffat Woollens.

The £5.15m payment will be met by the issue of 1.99m new Grampian shares, representing 5.3 per cent of the ordinary capital. Of these, 120,000 will be placed on behalf of the vendors. A further 1m of shares will be placed at 245p each, the proceeds being used to repay Pitlochry borrowings.

Cleves has 25% of Assocd Energy

Cleves Investments, issuing house, has bought a further 10 per cent of Associated Energy Services, the loss-making boiler maintenance, contractor and catering equipment group, to raise its stake to 25 per cent.

The additional shares were bought from Mr Richard Gillott, managing director of AES, and Mr Paul Howlett, former chairman and managing director. Mr Gillott said Cleves's involvement was considered to be "in the best interest of the company."

Cleves acquired management control at AES two weeks ago, when it bought a 14.9 per cent stake including shares owned by Mr Maurice Fullerton, chairman.

Senior buy

Senior Engineering Group has acquired Foster Wheeler Power Products for £5.4m in cash. Senior will take over Foster's industrial boiler and construction operations, but not its nuclear business at Hartlepool.

Bristol Water

Lyonnaise des Eaux has raised its stake in Bristol Waterworks from 20.5 per cent to 22.7 per cent. It takes Lyonnaise past the holding of its rival, Compagnie Generale des Eaux, which has revealed a 22.4 per cent holding.

Rotaprint creditors to get payout

by Andrew Hill

Unsecured trade creditors of Rotaprint, manufacturer of printing equipment which went into receivership in February, should receive some payout when the company is finally liquidated, contrary to the receivers' original expectations.

The sale of the business to two of its directors early last month raised about £2.7m and more than £750,000 may be available once secured creditors have been paid off. Rotaprint's 28,000 shareholders are extremely unlikely to receive any returns.

An egm has been called for June 22 at the Mermaid Theatre at which the proposal to wind up the company will be formally put to shareholders.

RHP purchase

RHP has paid about $5m (£2.7m) to buy Pyrotector, a supplier of specialised fire protection equipment to the aircraft, naval and military vehicle markets in the US.

Pyrotector has an annual turnover of $10m.

Ellis & Everard

Ellis & Everard is to buy Certikin, the UK's largest manufacturer of swimming pool equipment, for an initial consideration of £1.17m (£612,000 in cash and the balance in new Ellis shares), with a further profit-related payment subject to a maximum of £1.03m in cash or shares.

Pre-tax profits for 1987 were £191,000, and assets have been warranted to be no less than £800,000 at the end of last year.

UPL rises 21%

UPL Group, importer and distributor of brand name food products, announced a 21 per cent increase in pre-tax profits for the year to January 31 1988.

Turnover grew from £7.7m to £8.73m and the taxable result came out at £404,000 against £334,000.

As forecast in the prospectus there is a single final dividend of 1.41p. Earnings per 10p share rose by 16 per cent to 7.47p (6.46p).

Tax took £140,000 (£138,000).

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Apple Bank for Savings (Section: Americans).

Austin Reed (Ord. Shares) (Stores).

MTL Instruments (Electricals).

Ottoman Bank (Banks).

Printech (Paper).

Reflex Invs. (Banks, HP).

Lisa Wood on the bid defences that could be mustered by Northern Foods

Need for recapturing the 70's touch

MR CHRIS HASKINS, chairman of Northern Foods, was in typical cheery mood last week, despite the disclosure that Hazelwood Foods, the fast-growing food manufacturing group, had built up a 3.6 per cent stake in his company. "I don't feel vulnerable," he said.

Yet speculation has been rife for some months that Northern could be vulnerable to a bid. The company – a leading manufacturer of prepared foods for Marks and Spencer and one of the UK's major milk suppliers and pork pie makers – has been undergoing a painful period of retrenchment from, and rationalisation of, difficult businesses.

It has divested its problem interests in the US, rationalised food operations in the UK, and generally stripped itself back to the roots it knows best – managing static foodmarkets or declining ones like milk, and investing in those niche areas of the food business which are showing growth.

It is always a vulnerable time for a business when it has undergone such a process and the pay-off is yet to come.

Analysts suggest that predators may have sensed that Northern could be particularly vulnerable in a few months' time when it announces its results for the year to March 31. For it will probably report pre-tax profits that are largely unchanged on last year's £75.2m.

Despite strong underlying trading profit growth in the UK, estimated by analysts to be around 15 per cent, the US divestments will take around £7.5m out of the pre-tax total. It is a significant amount to be made-up by a business that has a couple of activities still underperforming – Bowyers, the pork pie and sausage manufacturer acquired in 1985 and Mayhew Foods, the recently purchased poultry business.

The sight of Northern at bay presents a stark contrast to its image in the 1970s, when a young management team, under the former chairman, Mr Nicholas Horsley, and Mr Haskins, successfully diverted a small regional dairy company away from the then fashionable mini-conglomerate path towards a coherent and growing food group. Disposals of periphery businesses released resources for acquisitions such as Fox's Biscuits and Pork Farms.

It was in 1980 that Northern, wanting to enter the large US market and increase its meat interests, took what was to prove the unfortunate step of a $76m purchase of Bluebird, a hog slaughtering and ham business. This was followed in 1982 by the $63m acquisition of Keystone Foods, a leading prepared food supplier to McDonald, the fast food chain.

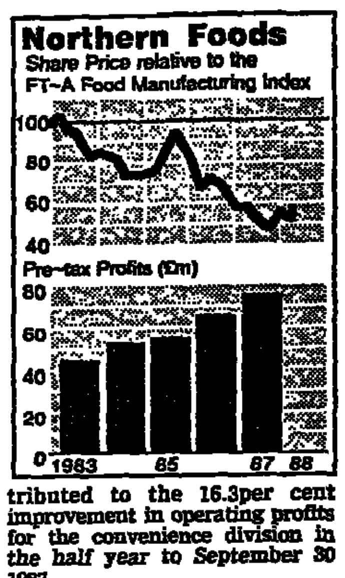
Bluebird exposed the UK company to a low growth cyclical commodity business. No sooner had the acquisition been made than it ran into high hog prices and a declining demand. Closures and divestments began in 1983 with heavy extraordinary costs. In 1986 when Northern retired from the the two ailing remaining businesses it estimated the total loss to the company from the Bluebird acquisitionwas around $26m.

Keystone looked much more promising but was sold in 1986- at a profit- to its minority partner, with whom Northern failed to agree on strategy. Profits of Keystone had declined after the purchase because of depressed meat and feed pricesand the failure to develop new products despite substantial investment.

Northern's excursion into the US damaged its management's reputation and its confidence, diluted earnings growth and destroyed the group's historic premium rating. It also led to allegations from critics that the small senior management team, led by Mr Haskins since 1986, had taken its eye of the ball in the UK.

Certainly the development of the UK business has been patchy. On the one hand, heavy capital investment and committment to product innovation has profitably cemented relationships with prestigious food retailers such as Marks and Spencer - sales to whom account for about 20 per cent of Northern's turnover.

Indeed recipe dishes, dairy desserts and flans for M and S contributed to the 16.3per cent improvement in operating profits for the convenience division in the half year to September 30 1987.



On the other hand acquisitions have sometimes been problematic. Bowyers was acquired as a loss-making business for about £21m from Unigate in 1985. Its rationalisation has been slow and expensive with the business responsible for the £1.5m reduction in operating profits of the meat division in the half year.

In addition businesses such as Park Cakes did not apparently respond quickly enough to a rapidly changing market place. In 1986-87 profits at Park Cakes were halved, although the business now seems to be recovering.

Problem solving perhaps has not been assisted by the departure of several key executives including Mr Chris Ball, managing director of Northern's UK businesses. His departure in 1987 provoked a re-structuring of the group's activities with the aim of reducing the number of management levels enabling fast and effective decisions to be taken.

Despite recurring problems pre-tax profit growth has been very respectable with the exception of 1985 when it dropped to four per cent. However, growth in earnings per share has been more pedestrian - from 15.62p per share in 1982 to 22.7p per share in the year to March 1987.

Chris Haskins: does not feel vulnerable

Mr Haskins said:" Our earnings per share have been up every year since 1973. There has not been dramatic growth but it has been affected by problems in the US and changes in tax charges on capital investment. Our tax charge has gone up substantially in the past few years."

Mr Haskins, a man who admits to often being too frank for his own good, added:" You could describe us historically as solid but not spectacular. However, now our basic businesses are going from strength to strength." He points out that UK profits have gone up by 60 per cent in the last three years, and products such as Fox's are among the strongest in the market.

Whether or not Mr Haskins will be called upon to defend his company in a hostile take-over bid is as yet unclear. Hazelwood, with a market capitalisation of £450m, has grown swiftly and profitably by buying small concerns on lowish earning multiples. It has never made a contested bid.

Northern, with a market capitalisation of £870m, would not be cheap with its share price, currently over £3, rising swiftly in the last few weeks because of bid rumours. Analysts reckon that if Hazelwood used paper for an offer it could pay up to 24 per share without dilution of earnings.

A major attraction of Northern to Hazelwood - and other predators - is the group's business with M and S. It is a business which could be extended into the US in the future depending on M and S's US strategy.

However, Northern's relationship with Britain's largest retailer could be a substantial defence against a predator, with M and S last week announcing that it would like Northern to remain independent. Industry observers commented that the two companies had a good relationship and M and S, not bound by a formal contract to Northern, could shift work to other suppliers should Northern be taken over by a management it did not like.

City analysts, while casting admiring glances at the performance of Hazelwood, agree that Northern could soon begin to reap the profits of this final phase of restructuring and heavy capital investment.

Nevertheless, there have been accidents before at Northern and its management has still to prove that its has recaptured the confidence and sure acquisition touch that it had in the 1970s.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Allied Lyons	[illegible]	[illegible]	Lonrho	[illegible]	[illegible]
BOC	[illegible]	[illegible]	MEPC	[illegible]	[illegible]
Bass	[illegible]	[illegible]	Metal Box	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	Pilkington	[illegible]	[illegible]
Brit Airways	[illegible]	[illegible]	Prudential	[illegible]	[illegible]
Brit Land	[illegible]	[illegible]	RMC	[illegible]	[illegible]
Carlton Comm.	[illegible]	[illegible]	Redland	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	Reed Int	[illegible]	[illegible]
De la Rue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	Sainsbury J	[illegible]	[illegible]
Grt Port Est	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities	[illegible]	[illegible]	Wolv Dudley	[illegible]	[illegible]
			Yale & Valor	[illegible]	[illegible]

RTZ £17m provision

BY KENNETH GOODING, MINING CORRESPONDENT

RTZ Corporation has made provision in its 1987 accounts for the potential loss of all the £10m interest-free loan it made to Carnon Consolidated, the Cornish tin mining company sold to the management and staff last month.

The group has also provided a further £7.3m towards the cost of its withdrawal from the Cornish tin mining operations.

The accounts reveal that the pay (excluding pension scheme contributions) of Sir Alistair Frame, RTZ's chairman, increased by 17.27 per cent last year, from £174,986 to £205,219.

The highest-paid director, almost certainly Mr Derek Birkin, the chief executive, had a pay increase of at least 17 per cent, from just under £175,000 to more than £205,000.

Mr Birkin says that cash-rich RTZ will "not be rushed into a hasty acquisition programme. We do, however, aim to take advantage of attractive opportunities, as demonstrated by the addition of MK".

Ryans Hotels

Pre-tax profits of Ryan Hotels in the year ended October 31 1987, slumped from I£1.28m to I£179,000 (£152,600).

Turnover in 1987-88 improved to £16.33m (£14.49m).

Marks clear

Marks and Spencer's $750m (£400m) acquisition of Brooks Brothers, US menswear retailer, is not being referred to the Monopolies and Mergers Commission.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Cramphorn, Kunick.

Finals- Hunting Associated, Sears, Stratton Inv.

FUTURE DATES

Interims-	
City Site Estates	May 17
Hoskyns	May 31
NatWest	July 28
Smart (J)	May 28
TR Portfolio Selection	May 11
[illegible]	May 28
Finals-	
[illegible]	June 9
[illegible]	May 17
Elliott (B)	May 16
GT Japan	May 19
Gerrard & National	May 9
Sears	May 11
SA Breweries	May 17
Whitbread	

FINANCIAL TIMES STOCK INDICES

	May. 6	May. 5	May. 4	May. 3	Apr. 29	Apr. 28	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.76	89.78	89.72	89.70	90.05	89.70	91.43	86.97	127.4	49.18
Fixed Interest	97.25	96.86	97.22	97.47	97.57	96.92	98.31	94.14	105.4	50.53
Ordinary	1440.1	1430.7	1438.1	1449.7	1443.9	1444.7	1478.7	1349.0	1926.2	49.4
Gold Mines	201.7	199.2	198.6	201.3	206.4	211.1	312.5	198.6	734.7	43.5
FT-Act All Share	929.12	923.61	925.47	930.45	928.19	928.28	951.46	870.19	1238.57	61.92
FT-SE 100	1801.1	1789.5	1794.7	1807.2	1802.2	1804.4	1855.5	1694.5	2443.4	986.9

APPOINTMENTS

Two executive posts at Royal Bank of Scotland

THE ROYAL BANK OF SCOTLAND has appointed Mr John A. Barclay as senior general manager, UK banking south, in succession to Mr Don Lewis who is retiring on July 15. Resident in New York for the last three years as executive vice president of the bank's North American operations, Mr Barclay has been largely responsible for the growth of corporate and other business in the US, where the group has announced its intention to acquire Citizens Financial group Inc., a Rhode Island based bank, subject to certain regulatory approvals. He was formerly chief city manager for the Royal Bank in London and immediately prior to his present appointment he served as an assistant general manager of Williams & Glyn's Bank in the run up to the merger with the Royal Bank of Scotland in 1985. He has been with the bank all his working life, joining in Jedburgh in 1949.

Mr Barclay is succeeded from June 1 as executive vice president North America by Mr David T. Murdoch, who joined the bank in 1958. He is assistant general manager (international) with responsibility for operations in the Far East and Australasia.

★

Mr Tom O'Malley, formerly managing director of Club 24 and a director of Next, has become a consultant to BRITISH CREDIT TRUST, Slough, a Bank of Ireland company.

★

Mr Nicholas Hadow, formerly with Gill & Duffus in Geneva and Singapore, has been appointed representative as BARCLAYS de ZOETE WEDD SECURITIES' new office in Singapore. Mr Simon Woods has been appointed head of research. He held a similar post with Vickers Singapore.

★

HALL ENGINEERING (HOLDINGS) has appointed Mr Pat Lithgow as group director of finance. He succeeds Mr Alistair Smith who will now concentrate on strategic planning and group development. Mr Lithgow joins from Tomkins where he was financial controller and managing director of subsidiary Sydney Smith Dennis.

★

Mr Mark de Rivas has been appointed deputy chief executive of BRITISH URBAN DEVELOPMENT.

★

Professor Sir Roger Elliott has been appointed secretary to the delegates of OXFORD UNIVERSITY PRESS, and chief executive for five years from September 1. He is head of the theoretical physics department of Oxford University. He succeeds Mr George Richardson who retires on September 1.

★

Mr Andrew Fane has been appointed a director of BORTHWICKS. He is managing director of Whitburgh Investments.

★

Mr George Williamson (real property) and Mr Simon Morris (corporate and commercial) have been appointed partners at CAMERON MARKBY.

★

CARTWRIGHT BRICE & CO., part of Hillsdown Holdings, has appointed Mr M.W. Callow, Mr D.B. Farmer, Mr T.J. Hovey and Mr R.P. Prime to the main board.

★

ARAB BANK, London office, has made the following appointments: Mr Elie El Hadj, regional manager; Mr John C. Carney, senior manager, banking; Mr Robert J.R. Gras, senior manager, treasury; Mr Rossiter W. Langhorne, manager, administration and operations; Mr Leslie J. Parker, manager, business development; and Mr Graham J. Bull, assistant manager, business development.

★

T.I.P. EUROPE has appointed Mr Sandy Anderson as managing director of all its subsidiaries in the UK and Republic of Ireland.

Mr John Barclay, senior general manager, Royal Bank of Scotland

★

Mr Ellis Griffiths has been appointed director of operations at BRITISH SATELLITE BROADCASTING. He is chief engineer and controller of technical operations at Channel 4, and joins BSB in June.

★

Mr George C. Christofides has been elected chairman of the BANK OF CYPRUS (LONDON) and its subsidiaries, succeeding Mr Solon Triantafyllides, who has been elected chairman of Bank of Cyprus (Holdings). Mr Christofides has been chairman of the Bank of Cyprus (Holdings) since 1979 and deputy chairman of Bank of Cyprus (London) since 1975. His primary occupation is managing director of the family company C.G. Christofides & Son, sole representatives in Cyprus of Hoechst.

★

Mr Peter Phillips, chairman of AB Electronics, has been appointed deputy chairman of the PRINCIPALITY BUILDING SOCIETY following the retirement of Mr Edgar Shepherd. Mr. Phillips has been a director of the Cardiff-based Principality, the largest building society in Wales, since 1977.

★

Mr Keith Williams and Mr Robert Brand have joined BARCLAYS de ZOETE WEDD RESEARCH as directors.

★

CONTRACTS

Russians order UK milling machines

HOLROYD MACHINE TOOLS & ROTORS of Milnrow, Rochdale has won its biggest export order, worth over £3.2m. The company, which is a member of the Renold International Engineering Group, is to supply five of its rotor milling machines together with ancillary grinding and testing equipment to the Soviet Union. It will be used to produce rotors for compressors for use in the Soviet Union's natural gas industry. They will be despatched in July and in November.

★

CAPE VITRATECH of Corby, Northants, has won a £2m order to provide vitreous enamel panels to line the tunnel section of the new Route 5 trunk road due to open in Hong Kong in late 1989. The panels - 45,000 sq.metres in total - will be used to create an internal wall about 5 metres above the carriageway in the 2.6 kilometre tunnels, which form part of the Sha Tin to Tsuen Wan section of the New Territories Circular route. Cape Vitratech won the contract from the main contractor, Gammon-Dragages-Skanska Joint Venture.

This is believed to be the largest contract ever awarded for vitreous enamel panels. A number of important UK road tunnel projects, including the Mersey, Tyne and Dartford tunnels, use similar linings to resist chemical attack from exhaust fumes, to facilitate "self cleaning," and to preclude constant painting and maintenance.

On some highway tunnel lining projects the panels are shaped to follow the tunnel profile. For Route 5 however, the design is a suspended system, which simply hooks the flat panel sections into place on a support frame fixed into the tunnel wall. This will speed installation, as well as aiding routine maintenance.

Shipment of the Magnolia coloured panels - the colour aids driver vision and safety - commences this month. Installation will take place when all the panels have been delivered to Hong Kong. The vitreous enamal finish has a life expectancy of well over 25 years.

★

COURTAULDS ENGINEERING has been awarded a £2.5m contract by Sturge Biochemicals for a combined heat and power scheme. This is in addition to the work currently in course of construction by Courtaulds Engineering on the £30m investment for the new citric acid facility at the Selby site.

The scheme consists of a 5.4MW gas turbine, a duct burner and a 27 tonnes per hour, at 24 bar, steam boiler, all with associated equipment. The duct burner is included to meet peak steam demands and cope with large and frequent load fluctuations; it also burns a waste gas produced by the site's effluent treatment plant.

★

KAPITI, a banking software company, has set the course for a complete technology solution in Portugal with orders worth over £1m.

Credito Predial Portugues, Banco Nacional Ultramarino and Caixa Geral de Depositos, have all made the decision to purchase a complete technology solution by using the company's integrated banking packages.

The Kapiti International Banking System, Trade Finance System and Dealing Room System, will be in full use at the banks during 1988 running on Wang hardware.

★

As part of a strategic NATO initiative, ADMIRAL COMPUTING GROUP has won a £1.8m contract to assist the Portugese Ministry of Defence (CEIOTAN) to procure a maritime command, control and information system (CCIS).

Admiral's role is to monitor the US prime contractor of theCCIS and to provide technical project management and security evaluation support to CEIOTAN during the system implementation. Admiral will also assist in security certification and accreditation and liaise with other NATO bodies concerned with the system. The project is expected take four years.

This contract follows on from Admiral's previous role as a support contractor to CEIOTAN during which Admiral assisted in the production of the relevant chapters of the Invitation For Bid documents. Admiral also participated in the evaluation of bids from potential prime contractors.

The project is to be controlled from CEIOTAN's headquarters in Lisbon. Admiral will support the Portugese MoD from its local offices in Lisbon and Camberley, UK.

Staff from Admiral's wholly-owned subsidiary, Admiral Management Services, will undertake the work.

★

NEI INTERNATIONAL RESEARCH AND DEVELOPMENT's refurbishment and modification unit has been awarded a £2m contract for work at Hunterston AGR nuclear power station in Scotland.

This new contract follows the unit's completion of a similar contract in 1987. The unit is based in Gateshead.

The work at Hunterston involves repair and replacement on reactor standpipes and the development and manufacture of cutting and welding machines to enable standpipe replacement with minimal operator dose levels.

Prior to the on-site work, which will involve other reactor modifications, the R & M unit employees involved will undergo training in the unit's testing and training complex at Gateshead. This full-size mock-ups an AGR reactor is unique in the UK and is being further enhanced to simulate to an even more realistic extent the conditions and geometry of the real thing.

NEI-IRD is part of Northern Engineering Industries, Newcastle upon Tyne.

★

EIS GROUP,a member of Horstman Defence System, has been awarded a contract by the Ministry of Defence valued at more than £500,000, for spare parts for the British army "Warrior" combat vehicle. The parts are for the rotary suspension dampers manufactured and supplied by Horstman.

★

WEIR PUMPS has won export orders, worth nearly £3m, to supply equipment to the Rabi oilfield on the west coast of Africa and the Gyda field in the Norwegian sector of the North Sea.

Two orders have been placed by Protech - Technip Geoproduction (JV), on behalf of Shell Gabon, for crude oil shipping pumps and water injection pumps.

Weir will supply Frank Mohn A/S with main oil line pumps and water injection pumps for the Gyda development project.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

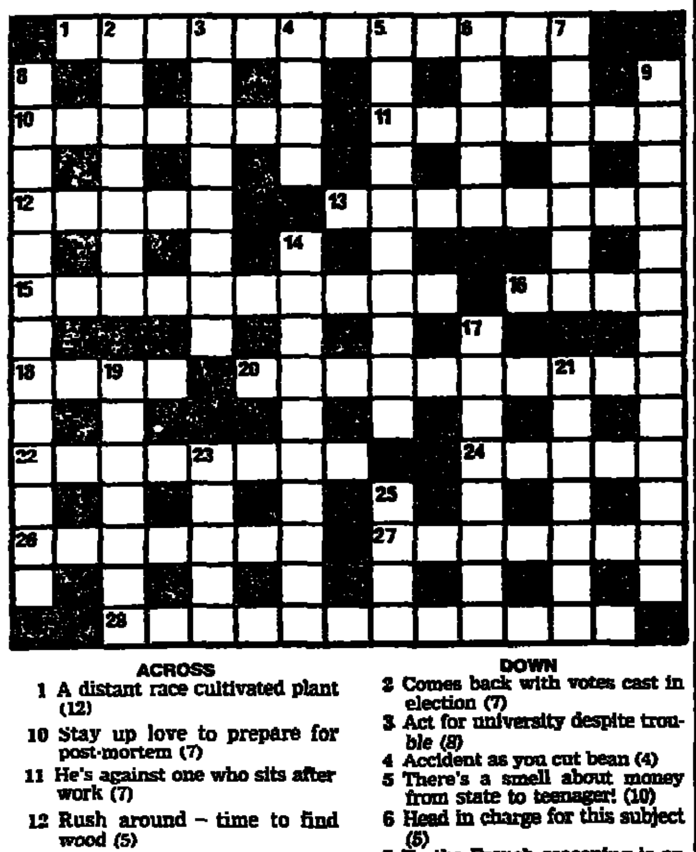
"RIGHTS" OFFERS

[illegible]

JOTTER PAD

FT CROSSWORD No.6,625

SET BY TANTALUS



ACROSS

1 A distant race cultivated plant (12)
10 Stay up love to prepare for post-mortem (7)
11 He's against one who sits after work (7)
12 Rush around – time to find wood (5)
13 Make a circle and explain (8)
15 Canisters moved east for wartime organisation (10)
16 I object these days to wine (4)
18 Can a person hide this part of the body? (4)
20 Part of a fight – a fight at road junction (10)
22 One who forgives was allowed to sell papal indulgences (9)
24 The same pundit tolerated in here (5)
26 Girl, the first to spot tropical tree (7)
27 Tent dweller is after pole so run about briskly (7)
28 Crash as pilot reads Milton's poem (8,4)

DOWN

2 Comes back with votes cast in election (7)
3 Act for university despite trouble (8)
4 Accident as you cut bean (4)
5 There's a smell about money from state to teenager! (10)
6 Head in charge for this subject (5)
7 To the French seasoning is an omen (7)
8 Girl goes to couple said to provide fruit (9,4)
9 Influential acquaintance in the Old Bailey? (6,2,5)
14 Oddly I do react on seeing group of pigments (10)
17 Bird to alight on fence (8)
19 Knock up with a bargain – a vegetable (7)
21 Silly coot to drink up for this creature (7)
23 Mammal warmer topless! (5)
25 Leaders of island swear it's some Egyptian goddess (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 21.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	207.8	222.3	+0.2	2.7
Columbus (US)	125.8	134.6	-0.9	1.45
Marco Polo (Pac)	223.9	239.5	-1.4	0.20
Da Vinci (Eur)	222.0	237.5	-1.7	1.88
Drake (Wld)	53.2	56.9	-0.1	2.52

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	204.4	219.6	+0.4	2.58
UK Smllr Cos Eqty	212.8	226.4	+0.4	2.85
UK Spec Sits	62.4	66.6	+0.2	2.73
Income Plus	53.2	56.7	+0.3	5.28
European	159.1	169.3	-1.4	1.13
Far Eastern	53.4	56.9	-0.5	1.45
Japanese †	58.5	62.3	-0.3	-
North American	108.0	114.9	-1.1	1.48
Intl Growth	108.5	115.5	-0.7	0.85
Worldwide Venture	53.0	56.4	-	3.05

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-558 2341

Equity Growth Acc	17.53	18.76	-	2.98
Equity Growth Inc	17.36	18.58	-	2.98
Intl Growth Acc	17.00	18.20	-0.11	1.66
Intl Growth Inc	16.90	18.09	-0.11	1.66
Global Income Acc	18.66	19.97	+0.06	5.38
Global Income Inc	18.66	19.97	+0.06	5.38
Market Leaders Acc	16.59	17.76	+0.12	3.56
Market Leaders Inc	16.37	17.52	+0.12	3.56

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	85.9	91.2	-0.7	0.00
Income	52.7	56.0	+0.2	4.37
European (z)	34.2	36.4	-0.2	1.16
Nth American (z)	27.4	29.1	-0.2	0.79
Intl Growth	439.6	467.6	-1.7	1.95
Gwth & Recovery	48.2	51.3	+0.2	2.40

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-655 3774

Peg Equity Acc	321.1	341.7	+0.7	3.54
Peg Equity Inc	266.2	283.3	+0.5	3.54
Peg High Inc Acc	161.1	171.5	+0.1	4.55

Vanguard Trust Managers Ltd — Contd.

American & Gen	53.7	57.1	-0.5	1.89
(Accum Units)	55.1	58.6	-0.4	1.89
Growth	216.9	230.7	-1.1	2.41
(Accum Units)	327.1	348.0	-1.6	2.41
High Yield	273.3	290.8	+0.5	4.47
(Accum Units)	293.3	312.0	+0.5	4.47
Special Sits	53.4	56.8	-0.2	2.35
(Accum Units)	55.1	58.6	-0.3	2.35
Trustee	168.3	170.5	-0.1	4.06
(Accum Units)	260.2	276.8	-0.3	4.06
European Inc	36.0	38.3	-0.2	0.68
(Accum Units)	36.1	38.4	-0.3	0.68

Wardley Unit Trust Managers Ltd (a)
99, Bishopsgate, London, EC2P 2LA 01-374 0061

American	49.5	52.9	-0.5	1.5
Intl Growth	65.1	69.6	-0.2	0.4
Income	113.1	121.0	+0.2	5.5
Japan Growth	188.6	201.8	-1.4	0.1
Pacific Perf	117.0	125.1	-0.3	0.4
Small Co's	140.0	149.7	+0.4	1.5
Technology	33.0	35.2	-0.3	0.1
Australia	48.3	51.7	-	1.3
UK Trust	159.3	170.3	+1.9	2.7
European Growth	40.9	43.7	-	0.1
Hong Kong	25.8	27.6	+0.1	1.3
Intl Income	19.6	21.0	-	8.5
S'pore & Malyse Gth	28.5	29.7	+0.1	1.0
British Winners	25.0	26.8	-0.1	4.0

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.4	19.5	+0.1	0.00
Pacific Basin	22.6	24.0	-0.2	0.1
Can Balncd Gwth	44.9	47.8	-0.6	0.0
Global Max	97.8	101.9	-	8.6
Penny Share	27.7	29.4	-0.1	0.5

Wellington Fund Mngrs Ltd
2, London Bridge, SE1 01-407 4404

Wellington Income	107.1	114.0	-	4.35
Wellington Growth	168.8	179.7	-	1.40

Wessex Asset Management
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc.	379.5	399.6	--	-
Eb'r Ph. Eq.	330.4	351.4	--	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	166.4	175.1	+0.5	-
International Acc.	127.0	133.6	-0.3	-
Property Acc	130.3	137.1	-0.1	-
Fixed Interest Acc.	155.5	163.6	+0.6	-
Money Acc.	138.9	146.2	+0.1	-
Bldg. Soc. Link Acc.	136.1	143.2	+0.1	-
Special Mngd. Acc Q	147.5	155.2	+0.2	-
Phoenix/Framlington				
Intl. Growth Acc.	87.2	91.7	-0.1	-
Amer. & Gen. Acc.	80.5	84.7	-0.2	-
Capital Tst. Acc.	167.8	176.6		-
Japan & Gen Acc.	194.0	204.2	+0.8	-
American Turn. Acc.	85.7	90.2	+0.1	-
Recovery Tst. Acc.	170.7	179.6	-1.0	-
Special Mngd Acc.	143.5	151.0	-	-
Phoenix/GT				
International Acc.	124.0	130.5	-0.3	-
US & General Acc.	85.5	89.9	-0.4	-
Amer. Spec. Sits Acc.	65.7	69.1	-0.2	-
Japan & General Acc.	194.2	204.4	+0.2	-
Far East & Gen. Acc.	148.0	155.7	-0.1	-
UK Capital Acc	172.1	181.1	-0.3	-
European Acc.	132.0	138.9	+0.6	-
Special Mngd. Acc.	126.1	132.7	-0.1	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	264.7	278.7	---	-
Man Pens Inc & Cap Fds	338.0	355.8	---	-
Money Fund	112.2	118.2	---	-
Pens. Mngd Fd (Init)	85.0	89.5	---	-
Pens Mngd Fd (Acc)	96.6	101.7	---	-
Pens FT30 Fd (Init)	127.7	134.5	---	-
Pens FT30 Fd (Acc)	145.0	152.7	---	-
Pens O'seas MgFd(Init)	57.3	60.4	---	-
Pens O'seas MgFd(Acc)	65.0	68.5	---	-
Pens Fxd Int Fd (Init)	105.9	111.5	---	-
Pens Fxd Int Fd (Acc)	120.3	126.7	---	-
Pens Deposit Fd (Init)	101.2	106.6	---	-
Pens Deposit Fd (Acc)	115.0	121.1	---	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	81.0	86.0	---	-
Building Soc. Fd	160.0	169.0	---	-
Balanced	236.0	249.0	-1.0	-
Deposit	160.0	169.0	---	-
European	119.0	126.0	-1.0	-
GT Managed	147.0	155.0	-1.0	-
Gartmore Mngd.	97.0	103.0	---	-
German	86.0	91.0	---	-
Gilt	167.0	176.0	---	-
High Inc	100.0	106.0	---	-
International Equity	146.0	154.0	-1.0	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed May 4	199.9	208.3	---	-

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	424.5	446.9	-0.2	-
Equity Fd	846.7	891.3	+1.2	-
Intnl. Fd	297.2	312.9	-1.6	-
Fixed Int. Fd.	366.8	386.2	+1.3	-
Prop. Fd	320.4	337.3	+0.1	-
Cash Fd	236.6	249.1	+0.1	-
Pacific Basin Fd	174.1	183.3		-
North American Fd.	120.5	126.9	-1.0	-
European Fd.	120.8	127.2	-0.6	-
Holborn Balanced Gwth Fd.	99.3	104.6	---	-
Holborn Strategic Gwth Fd.	97.9	103.1	---	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	464.4	488.9	+0.5	-
Equity	658.3	693.0	+1.7	-
Global Equity	192.5	202.7	-1.4	-
Fixed Interest	377.3	397.2	+1.0	-
Property	315.0	331.6		-
Cash	139.8	147.2	+0.1	-
Index Linked Gilt	166.9	175.7	+0.3	-
Guaranteed	7.92	-		-
International Money	183.5	193.2	+0.3	-
North American Fd.	54.5	57.4	-0.4	-
Japanese Fund	125.6	132.3	-0.5	-
European Fund	65.5	69.0	-0.3	-
Special Situations Fd.	94.1	99.1	+0.2	-
Communications Fund	80.6	84.9		-
Smaller Cos Fund	94.9	99.90	-0.2	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Apr 20	£124.67	128.21	---	-
Equity Fund Apr 20	£135.51	139.61	---	-
Intnl Fund Apr 20	£20.12	20.76	---	-
Intl Bond Fd Apr 20	£10.09	10.23	---	-
Fixed Int Apr 20	£68.32	69.18	---	-
Index Linked Apr 20	£52.13	52.98	---	-
Property Fund Apr 20	£83.93	88.56	---	-
Cash Fund Apr 20	£18.5339	18.5339	---	-
Pru-Linked Retirement Plan				
Managed Fd May 4	315.2	328.4	---	-
Cash Fund May 4	175.2	182.6	---	-
Prudential Pensions Investment Account				
Pens Man Fd May 6	128.8	135.6	-0.5	-
Pens UK Eq Fd May 6	237.4	249.9	-1.2	-
Pens Intl Fd May 6	142.6	150.2	-0.6	-
Pens Fxd May 6	155.5	163.7	+0.3	-
Pens Index Lk May 6	130.5	137.4	+0.2	-
Pens Cash Fd May 6	114.7	120.8	-0.1	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
1,148	Treas 9¼pc Cv '88	100 5/8	8.02	9.11	14Dec 14Jun	1360
1,302	Transport 3pc '78-88	99 ½	6.44	25.11	1Jan 1Jul	1237
2,050	Treas. 9½pc '88	100 ¾	8.46	21.3	25Apr 25Oct	1346
2,250	Treas 11½pc 1989	102 ¾	8.67	18.1	27Aug 27Feb	1291
855	Treas 9½pc Cnv 1989	100	8.75	11.9	18Oct 18Apr	1348
500	Treas 3pc 1989	96	6.22	26.03	15Nov 15May	1327
1,400	Treas 10½pc 1989	101	8.88	9.11	14Dec 14Jun	1287
2,400	Exch.10pc 1989	101	8.89	29.12	1Feb 1Aug	1250
2,000	Exch 11pc 1989	102	8.93	24.2	29Mar 29Sep	1256
601	Treas 5pc 1986-89	96	7.50	9.3	15Apr 15Oct	1329
535	Exch 10¼pcCv '89	102	8.22	8.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	106	8.89	9.12	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	103	8.93	6.1	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	106	8.96	17.8	22Sep 22Mar	1262
550	Treas. 3pc 1990	93 ¼	6.84	5.4	8Nov 8May	1325
600	Treas 8¼pc 1987-90‡‡	99 ¼	8.77	9.11	15Dec 15Jun	1340
1,000	Treas. 8pc Cv 1990	100	8.00	-	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	102	9.04	21.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	98	6.59	16.10	22May 22Nov	1270
2,200	Treas 11¾pc 1991	106	9.09	4.12	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	94	8.05	1.9	5Oct 5Apr	1275
400	Treas. 3pc 1991	89	7.07	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91 ‡‡	103	8.73	7.12	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	105	9.11	21.3	25Apr 25Oct	1258
1,350	Treas 8pc 1991	96	9.08	04.04	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	111	9.14	19.1	22Jul 22Jan	1297
1,600	Treas 10pc 1992	102	9.13	15.1	21Aug 21Feb	1283
2,400	Treas. 8pc 1992 ‡‡	96	9.12	11.6	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	104	9.18	1.9	7Nov 7May	1289
500	Treas. 3pc 1992	85	7.17	4.11	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	110	9.25	19.1	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	114	9.27	17.8	22Mar 22Sep	1266
1,850	Treas 10pc 1993‡‡	103	9.21	9.3	15Oct 15Apr	1279
	Five to Fifteen Years					
1,100	Treas 12½pc 1993‡‡	113	9.31	18.03	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	92	7.79	8.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	118	9.35	19.10	23May 23Nov	1304
-	Treas. 8½pc 1994	96				-
600	Treas 14½pc 1994‡‡	122	9.28	25.1	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	118	9.47	21.3	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	103	9.31	04.04	9Dec 9Jun	1284
1,550	Exch. 12½pc 1994	113	9.52	18.1	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	98	9.22	11.4	17May 17Nov	1345

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
700	Treas. 7¾pc 2012-15‡‡	87	9.06	21.12	26Jul 26Jan	1332
1,000	Exch. 12pc '13-'17	127	9.20	6.5	12Jun 12Dec	1260
	Undated					
390	Consols 4pc	43	-	29.12	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	39	-	25.03	1Jun 1Dec	1352
154	Conv. 3½pc '61 Aft.	51	-	24.2	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft.	32	-	1.3	5Apr 5Oct	1324
276	Consols 2½pc	27	-	1.3	5Ja Ap Jul O	1238
475	Treas. 2½pc	27	-	24.2	1Apr 1Oct	1515
	Index-Linked					
500	Treas 2pc IL '90(333.9)	129	2.09	21.12	25Jul 25Jan	1311
650	Do. 2pc '92‡‡ (385.8)	100	2.72	17.8	23Sep 23Mar	1312
1,000	Do. 2pc '96(267.9)	135	3.25	8.2	16Mar 16Sep	1313
900	Do 2½pc '01 (308.8)	112	3.74	18.8	24Mar 24Sep	1316
800	Do. 2½pc '03(310.7)	109	3.79	13.03	20Nov 20May	1317
1,100	Do. 2pc '06(274.1)	111	3.82	14.12	19Jan 19Jul	1314
950	Do. 2½pc '09(310.7)	104	3.82	13.03	20Nov 20May	1318
1,350	Do. 2½pc '11(294.1)	108	3.82	18.1	23Feb 23Aug	1319
1,100	Do. 2½pc '13(351.9)	89	3.80	11.1	16Feb 16Aug	1320
1,600	Do. 2½pc '16(322.0)	97	3.76	21.12	26Jan 26Jul	1321
1,400	Do. 2½pc '20 (327.3)	95	3.70	10.3	16Oct 16Apr	1322
800	Do. 2½pc '24 ‡‡(385.3)	80	3.64	15.02	17Jan 17Jul	1323

∞ Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for August 1987 102.1 and for March 1988: 104.1 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼Ln 2010	105	10.46	3.12	4Jan 4Jun	-
100	Asian Dev Bk 10¼pcLn2009	102	10.01	19.2	24Mar 24Sep	-
100	Australia 13½pc 2010	127	10.35	23.12	26Jan 26Jul	-
100	Do. 11¾pcLn2015	109	10.28	24.3	26Apr 26Oct	-
75	Euro Inv Bk 11pc Ln 2002	107	9.95	23.2	23Mar 23Sep	-
100	Do. 10½pc2004	103	9.93	22.10	22Mar 22Nov	-
75	Int-Am Dev Bk 12½pc 2003	117	10.13	7.12	8Jan 8Jul	-
175	Do. 9¼pcLn 2015	96	10.53	13.4	15May 15Nov	-
75	Mlysia 10¾pcLn 2009	95	11.33	23.12	31Jan 31Jul	-
50	Sweden 13½pc Ln 2010	127	10.27	21.12	22Jan 22Jul	-
50	Utd. Mexican States 16½pc 2008	187	15.26	26.1	1Mar 1Sep	-

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yield	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	45	3.50	7.78	2.11	1May 1Nov	2763
4	Do 6pc 28 Stb Ass	45	3	6.67	1.2	1Feb 1Aug	2762
-	Do 4pc Mixed Ass.	45	2	4.44	5.4	1Apr 1Oct	2761
-	Hung. '24 Ass.	65	2.75	4.37	1.5	1May	2935
40	Hydro Quebec 15pc 2011	137	15.00	10.64	29.10	31May 30Nov	-
30	Iceland 14½pc Ln 2016	124	14.50	11.56	4.1	31Jan 31Jul	-
30	Ireland 9¾pc '91-96	100	9.75	9.70	1.2	1Mar 1Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
5 503.9	Abbott Laboratories‡	24	$1.20	2.7	11.4	Fb My Ag Nv	1503
248.2	Allegheny & W 1c	482p	30c	3.4	-	-	-
1 022.6	Amax $1	10	Q20c	-	5.5	Mr Jn Se De	1581
1 166.7	Amdahl 5c	23	20c	0.5	5.11	Nv Mr Jn Ag	-
2 529.3	Amer Cyanamid $5	27	$1.05	2.1	22.2	Mr Je Se De	-
6 280.6	Amer. Express 60c	12	76c	3.3	5.4	Fb My Ag Nv	1594
724.3	Amer. Medical Int. $1	891p	72c	4.4	11.1	Fb My Au Nv	-
15 031.4	American T. & T $1	14	$1.20	4.7	25.9	Fb My Ag Nv	1597
6 508.5	Ameritech $1	46	$5.40	-	28.3	Fb My Ag Nv	-
317.8	Amtacl	19	-	-	11.8	Mr Je Se De	-

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
3,282.9	Sun Co. Inc. $1	38½xd	$3.00	5.4	5.5	Mr Jn Se De	4135
1,380.7	TRW Inc. 62½c	23¾xd	$1.60	3.8	11.8	Ma Ju Se De	4318
3,415.5	Tenneco $5	23⅜xd	$3.04	7.2	11.8	Mr Jn Sp Dc	4194
6,648.1	Texaco $6.25	27⅛xd	$3.00	6.0	28.4	Mr Je Se De	4200
4,456.7	Time Inc. $1	46⅝	$1.00	1.2	24.01	Mr Je Se De	4234
1,332.6	Transamerica $1	17½	$1.84	5.8	31.3	Ja Ap Ju Oc	4289
495.9	Transworld Corp $5	958p	20c	1.1	11.11	Fe My Au No	–
546.8	TRINOVA Corp	16	56c	1.9	9.11	Mr Je Se De	4309
4,483.4	USX $1	16⅛	$1.20	3.9	30.10	Mr Je Se De	4380
2,688.8	Utd. Technologies	20½	$1.60	4.3	19.5	Mr Je Sp Dc	4381
5,560.3	US West	27¾	$3.52	6.9	13.4	Fb My Ag No	–
4,116.2	Waste Management $1	18¼	36c	1.1	21.3	Ap Jly Oc Jan	4439
969.2	Whirlpool $1	14	–	–	25.01	Mr Je Se De	–
2,036.0	Woolworth $3½	31	$1.64	2.9	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	195p	–	–	–	–	–
–	Abbot Energy Corp.	11p	–	–	–	–	–
597.6	Amer. Barrick Res.	18¾	–	–	–	–	–
–	American Lightwave	7p	–	–	–	–	–
–	Armeno	29p	–	–	–	–	–
–	Augmitto Explo.	48p	–	–	–	–	–
1,169.6	Bk. Montreal	11¼	$2.00	7.8	9.5	Fb My Ag Nv	–
892.3	Bk. Nova Scot.	538p	76c	6.2	28.3	Ja Ap Ju Oc	–
4,525.6	BCE	16¼xd	$2.44	6.4	10.02	Ap Jy Dc Ja	–
260.9	Bow Valley	630p	40c	2.8	15.12	May Nov.	–
746.8	Brascan	11	88c	3.5	28.10	Ja Ap Jy Oc	–
50.0	Breakwater Res.	223p	10c	2.0	–	–	–
1,411.7	Can.Imp Bank	982p	$1.16	5.7	29.12	Fe My Au No	–
3,103.6	Can. Pacific	10¼	60c	2.6	28.3	July Jan.	–
18.9	Do. 4pc Deb £100	48½	4%	9.9	10.11	July Jan	2051
–	Central Capital "A"	397p	–	–	–	–	–
52.8	Cons. TVX Min	326p	–	–	–	–	–
–	Danbos Res.	183p	–	–	–	–	–
–	Derlan Inds.	500p	11.75c	1.0	3.6	Mr Jn Se De	–
1,029.9	Echo Bay Mines	10¾	20c	0.8	–	Ja Sp De Mr	–
–	Energex Minerals	38p	–	–	–	–	–
–	Euro-Asia Capital Ltd	87p	–	–	–	–	–
101.7	Galactic Resources	341p	–	–	–	–	–
15.0	Geodome Res.	113p	–	–	–	–	–
49.6	Granges Explo.	228p	–	–	–	–	–
–	Gt Pacific Res.	81½p	–	–	–	–	–
–	Gulf Canada	815p	52c	2.8	26.3	Ja Ap Jy Oc	–
87.6	Hawker Sid Can	10¼	$1.08	4.4	15.11	Ap Jy Oc Ja	–
–	Healys Group	446p	–	–	–	–	–
250.0	Hudson's Bay	837p	60c	3.2	2.10	Mr Jn Sp De	–
4,185.6	Imperial Oil	25¼	$1.80	3.1	26.11	Mr Je Se De	–
1,567.3	Inco	15xd	US$0.80	2.9	27.4	Jan.Ap.J.O.	–
–	Intl. Corona Res.	418p	–	–	–	–	–
–	Inland Nat. Gas $1	522p	60c	5.1	30.12	Fe My Au No	–
–	Lacana Mining Corp	489p	Q15c	1.4	–	–	–
10.8	Madeleine Mines	185p	–	–	–	–	–
–	Muscocho Explo.	152p	–	–	–	–	–
–	[illegible] Business Syst.	109p	–	–	–	–	–
–	Nevada Goldfields	172p	–	–	–	–	–
414.5	Rio Algom	972p	$1.30	5.9	5.11	June Dec	–
1,468.9	Royal Bk. Can.	12¼	$2.08	7.5	20.10	Mr Je Se De	–
–	Royex Gold Mining	245p	–	–	–	–	–
2,721.6	Seagram	28½	US$1.10	2.1	14.2	Se De Mr Ju	–
–	Sonora Gold Corp	238p	–	–	–	–	–
–	Spiral Eng.	45p	–	–	–	–	–
–	Tara Port Tech. Corp.	107p	–	–	–	–	–
1,842.4	Toronto-Dom. Bk.	12½	92c	3.2	22.12	F My Au No	–
–	Trans Atlantic Res	26p	–	–	–	–	–
806.2	Trans Can Pipe.	647p	68c	4.6	1.12	Ja Ap Jy Oc	–
294.7	Varity Corp	178p	B–	–	11.77	–	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
86.5	Old Friendly 8 10p	555	29.0	6.2	9.5	June Nov	4373
530.2	Willis Faber 12½p	225	11.45	6.8	25.4	May Nov	4513
13.9	Windsor Sec. 10p	58	0.8	1.8	25.1	Mar. July	4521

LEISURE

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
7.16	A & M Group 10p	11½	–	–	9'86	–	1490
18.1	Airtours 10p	103	Ld5.4	7.2	25.1	January	1549
64.3	Anglia TV	150	15.8	5.2	7.3	May Aug.	1611
28.5	Aucetto 1p	88	0.5	0.8	13.7	Oct Apr	1710
11.5	BCE Hldgs 5p	43	Ld1.0	3.3	8.2	Sept Apr	1719
13.0	Barr & W.A.T. 'A'	262	11.0	5.8	29.9	July Nov	1764
–	Bond Media	23	–	–	–	–	4832
8.63	Boosey & Hawkes	225	3.0	–	4'84	–	1873
3.44	Border T.V.	34	†1.4	5.5	8.2	October	1878
214.5	Brent Walker 10p	391	8.0	2.8	9.11	June Dec	1945
147.5	Do 6pc Cv.Cm.Rd.Pf	112	6.0	7.1	–	Jan July	1944
29.5	Campari Int. 20p	294	6.5	2.9	11.4	Mar. Nov.	2048
7.46	Castle Commn. 5p	225	17.0	4.3	11.4	November	2079
34.9	Capital Radio 10p	224	6.0	3.6	23.11	May Nov	2068
127.2	Central TV	508	22.0	5.9	11.4	Nov May	2091
33.6	Chrysalis	121	7.0	7.8	7.12	Jan July	2134
27.6	Cityvision 5p	72	0.5	0.9	25.4	–	2150
18.2	Edenderry	52	Q24.6%	10.9	10.8	September	1413
8.64	Entertain Prod 5p	27½	–	–	9'85	–	2483
14.2	Fairline Boats 10p	405	9.0	3.0	21.12	Jan. July	2534
204.8	First Leisure	158	2.34	2.1	–	–	2549
5.41	GWR Group 20p	365	–	–	–	–	4952
6.52	Grampian TV A 10p	45	2.5	7.4	25.4	Jan June	2752
2.31	Greenwich Comm	33	–	–	–	–	2772
47.1	HTV Grd	223	†9.8	5.9	21.3	Nov. Apr.	2797
54.1	Hartwer A$0.25	78½	m0.6c	3.0	3.5	Dec June	2619
12.1	Juliana's Hldgs 2p	37	2.85	6.8	23.11	Nov June	3866
37.6	Kunick 10p	38½	1.0	3.5	–	–	4686

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid
791.6	Smurfit (Jeffsn.)	384	Q24.5%	1.4	9.11	Dec July
4.50	Space Planning Serv.	90	†1.8	2.7	7.3	May Nov
11.5	Stanco Exhibition 5p	36	t0.29	1.1	–	–
15.9	Sterling Pub 5p	98	2.2	3.0	29.6	Jan. July
9.02	TMD Advertising	135	2.4	2.1	25.1	Jan July
3.90	Thorpac Group 2½p	41	1.17	3.8	27.7	February
6.38	Usher Walker 10p	308	8.9	4.0	9.11	July Dec
65.2	VPI Group 5p	299	2.25	1.0	11.1	Feb Aug
115.3	WCRS Group 5p	260	†3.13	1.6	21.12	Jan July
203.7	WPP Group 10p	534	6.4	1.6	9.5	Jan July
67.8	Wace Group 20p	252	3.0	1.6	25.4	Mar Sept
139.7	Waddington (J.)	189	†6.0	4.3	23.11	Dec July
57.7	Watmoughs	355	b6.88	2.6	21.3	Nov Apr
12.9	Waverley Cameron 5p	83	‡Q0.26	0.4	1.6	June
5.05	Wiley Mackay-Lamb 10p	95	L4.3	6.0	25.1	Mar Sept
17.6	Yellowhammer 5p	170	†2.1	1.6	21.12	Jan. June

PROPERTY

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid
99.2	Allied London 10p	118	†2.1	2.4	9.5	Jan July
43.6	Do. 5¼pc Cnv Red Pref	109	5¼%	7.0	22.2	–
161.3	Arlington Sec 10p	234	4.0	2.6	21.3	May Nov
91.4	Asda Property 20p	163	†1.0	0.8	25.4	July
20.9	Do 5¼pc.Cnv.Rd.Pf.	135	5¼%	5.1	23.11	Dec July
8.15	BDA Hldgs. 10p	98	2.5	3.8	26.10	May Nov
79.5	BHH Group 50p	113	1.25	1.5	11.4	–
26.5	Baker Harris Saunders 10p	237	L4.0	2.3	21.12	Feb Aug
11.8	Barlows 10p	88	1.88	2.8	25.4	–
166.4	Bilton (Percy)	390	13.98	4.8	11.4	Dec Aug
193.9	Bradford Prop.	695	†11.0	2.1	9.11	Dec. Aug
40.7	Bredero Props.	200	5.0	3.3	11.4	Apr Oct

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central Africans

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]							
5.63	Propeller 1p	45	–	–	–	–	3729
2.76	Publishing Hldgs 5p	17	–	–	–	–	3735
4.85	Seacon Hldgs	70	–	–	–	–	3968
5.25	Stats Hldgs. 5p	19	–	–	–	–	4625
4.99	Swanyard Studios 1p	3½	–	–	–	–	4666
22.3	Takare	255	b1.0	0.5	–	–	4647
8.85	Theme Holdings	46	1.1	3.2	25.4	June Dec	4206
2.91	Tomorrows Leisure 20p	26	–	–	–	–	4298
10.6	Tullow Oil 10p	17	–	–	–	–	4886
4.84	UPL Group 10p	120	L2.41	2.7	–	–	4362
5.71	Unit Group	141	R4.6	4.3	9.11	Jan July	4357
6.36	Video Tape Recording 5p	92	L2.3	3.4	9.5	–	4591

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Dealt in under Rule 535(3)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend b Figures based on prospectus or other offer estimate c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment t Indicated dividend. u Forecast, or estimated annualised dividend rate v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue, xr ex rights; xa ex all, xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p. ..γ	71	....
Craig & Rose £1..γ	688	–7
Finlay Pkg. 5p....γ	78	–1
Holt (Jos) 25p ..γ	£11¼	......

IRISH

Stock	Price	+ or –
Nat. 9¾% 84/89..	£101	......
9pc Cap Ln 1996..	£98¼	....
Fin. 13% 97/02...	£118¼	....
Arnotts ....γ	318	....
CPI Hldgs ....γ	98	..
Carrol Inds. ....γ	158	..
Hall (R. & H.) ..	140	–5
Helton Hldgs. ..γ	48	....
Irish Ropes ....γ	123	..
Unidare....γ	340	....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	48
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	68
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	68
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	68
Trust Houses	22
T&N	20
Unilever	58
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	58
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · HONG KONG · SINGAPORE · JAPAN

JAPAN

1988 High	Low	May 7	Price Yen	High	Low	May 7	Price Yen
2,865	1,921	Eisai	2,270				
1,420	1,070	Ezaki Glico	1,370	5,800	5,110	Kyoto Ceramic	5,520
				1,910	1,660	Kyowa Ferm.	1,860
6,690	5,250	Fanuc	6,560	1,340	1,050	Lion	1,340
3,500	2,809	Fuji Bank	3,300				
725	470	Fuji Electric	693	1,450	1,290	Maeda Construct	1,400
4,350	3,870	Fuji Film	4,180	936	710	Makino Milling	936
659	513	Fuji Heavy Ind	640	1,890	1,540	Makita Elect Wk	1,800
887	660	Fujikura Cable	887	991	400	Marubeni	569
2,240	1,750	Fujisawa	2,140	1,450	1,150	Marudai Food	1,420
1,630	1,310	Fujitsu	1,620	3,420	2,790	Marui	3,330
911	680	Furukawa Elect	880	2,260	1,750	Matsu Elect. Ind.	2,220
				2,690	1,950	Matsu Elect. Wks.	2,660
2,370	1,900	Green Cross	2,220	929	305	Mazda Motors	512
861	680	Gun-Ei Chem	847	1,050	860	Meiji Milk	1,040
1,140	885	Gunze	1,100	1,020	905	Meiji Seika	1,010
				2,880	2,030	MEI	2,700
1,300	960	Hasegawa Kom	1,250	765	495	MHI	721
2,290	1,120	Hattori Seiko	2,100	1,150	702	Minebea	1,150
1,820	1,305	Heiwa Real Est	1,660	776	554	Minolta Camera	730
695	491	Hino Motors	675	2,150	1,509	Misawa Homes	2,100
5,590	4,550	Hirose Electric	5,530	3,270	2,428	M'bishi Bank	3,110
1,520	1,250	Hitachi	1,460	1,230	905	M'bishi Chem	1,180
1,260	985	Hitachi Cable	1,220	1,380	959	M'bishi Corp	1,290
1,750	1,340	Hitachi Credit	1,720	778	500	M'bishi Elec	749
2,420	1,970	Hitachi Maxell	2,330	2,560	1,520	M'bishi Estate	2,450
1,210	966	Hitachi Metals	1,150	730	485	M'bishi Gas Chem	708
1,840	1,230	Honda	1,810				

INDICES

NEW YORK — DOW JONES

	May 6	May 5	May 4	May 3	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2007.46	2020.23	2036.31	2058.36	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.29	88.48	88.53	88.50	91.25 (3/3)	86.12 (4/1)	–	–
Transport	843.04	849.01	856.78	854.84	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	169.04	168.86	168.80	170.95	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2038.13 (2038.46) Low 1997.84 (2008.95)

STANDARD AND POOR'S	May 6	May 5	May 4	May 3	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	257.48	258.79	260.32	263.00	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	300.85	301.66	303.53	306.70	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	21.96	22.03	22.13	22.38	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	145.88	146.51	147.31	148.57	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	301.82	302.39	302.54	303.22	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	379.42	379.51	380.62	382.23	383.41 (13/4)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Apr. 29	Apr. 22	Apr. 8	Year ago (approx.)
Dow Industrial Div. Yield	3.45	3.47	3.35	2.94

	May 4	Apr. 27	Apr. 20	Year ago (approx.)
S & P Industrial div. yield	3.04	3.07	3.15	2.47
S & P P/E ratio	14.96	15.16	14.70	22.12

TRADING ACTIVITY † Volume

Millions	May 6	May 5	May 4
New York	179.646	172.095	192.272
Amex	9.565	9.492	11.640
OTC	125.646	121.237	156.208

NEW YORK	May 6	May 5	May 4
Issues Traded	1,971	1,969	1,972
Rises	580	558	540
Falls	842	904	913
Unchanged	549	507	515
New Highs	18	18	20
New Lows	23	25	15

CANADA

TORONTO	May 6	May 5	May 4	May 3	1988 High	1988 Low
Metals & Minerals	2742.2	2747.3	2776.0	2826.6	2877.5 (19/4)	2238.7 (8/2)
Composite	3422.7	3420.0	3440.9	3449.3	3482.4 (12/4)	3005.2 (3/2)
MONTREAL Portfolio	1682.97	1682.36	1690.93	1649.36	1681.54 (12/4)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed. (u) Unavailable.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices May 6

MONTREAL
Closing prices May 6

‡ – No voting rights or restricted voting rights.

Sales 7,533,356 shares

OVER-THE-COUNTER
Nasdaq national market, closing prices, May 6

Continued from Page 31

INDICES

	May 6	May 5	May 4	May 3	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1423.0	1424.3	1443.8	1444.6	1467.6 (14/4)	1170.7 (12/2)
All Mining (1/1/80)	670.8	673.1	683.4	695.9	773.6 (14/1)	532.4 (18/2)
AUSTRIA						
Credit Aktien (30/12/84)	176.02	175.85	176.73	176.98	178.92 (21/3)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	4746.41	4766.4	4754.0	4726.8	5043.1 (9/3)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	196.81	197.17	197.29	197.58	200.07 (11/4)	180.68 (4/1)
FINLAND						
Unitas General (1975)	656.9	653.8	652.0	654.8	659.7 (27/4)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	311.0	314.3	313.2	320.7	314.3 (5/5)	251.3 (29/1)
Ind. Tendance (31/12/87)	113.1	113.8	114.1	112.4	114.2 (28/4)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	440.66	443.87	444.33	442.53	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1343.2	1353.2	1355.3	1346.2	1457.5 (18/3)	1207.9 (29/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2571.74	2577.92	2641.13	2602.6	2684.13 (14/4)	2223.56 (8/2)
ITALY						
Banca Comm. Ital. (1972)	504.73	503.81	499.75	496.74	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27534.39	(c)	(c)	(c)	27669.72 (2/5)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2201.93	(c)	(c)	(c)	2213.08 (2/5)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	245.2	245.4	246.9	245.9	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	201.7	201.7	202.8	202.5	211.7 (14/4)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	388.47	390.03	390.68	394.65	412.04 (11/4)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	976.06	975.78	972.68	968.89	976.06 (6/5)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(c)	1184.0	1154.0	1172.0	1790.0 (7/1)	1154.0 (4/5)
JSE Industrial (28/9/78)	(c)	1488.0	1465.0	1469.0	1564.0 (11/1)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	272.32	272.32	273.32	271.82	281.14 (14/4)	225.50 (4/1)
SWEDEN						
Jacobson & P (31/12/56)	2808.8	2800.2	2835.9	2858.1	2858.1 (3/5)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	508.5	503.8	518.2	518.7	539.5 (18/3)	466.6 (13/1)
WORLD						
M.S. Capital Intl (1/1/70)	(u)	458.4	458.6	460.7	463.4 (13/4)	401.0 (21/1)

**Saturday May 7: Japan Nikkei 27487.77 TSE 2197.20

§ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500. (c) Closed (u) Unavailable

Closing prices, May 6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	20	176	24¼	23¾	23¾	−¼
27	10⅞	AGS s			14	109	18⅛	17⅞	18	
7⅞	3⅛	AMCA				70	3¼	3⅛	3¼	+⅛
8⅝	3¼	AM Intl				223	3⅞	3¾	3¾	−⅛
65½	26⅝	AMR			11	2798	45⅜	44¼	44¼	−¾
24¼	19	ANR pf 2.12		8.9		1	23¾	23¾	23¾	−⅜
12¼	6⅝	ARX			11	114	8½	8¼	8⅜	
72⅞	40⅛	ASA	3	7.0		571	43¼	42¾	43	−¼
22⅝	9½	AVX			13	55	17¾	17½	17½	−¼
66⅝	40	AbtLab 1.20		2.7	15	6531	45⅝	44	44¼	−⅞
28	15⅝	Abitibi g 1				1	17⅜	17⅜	17⅜	−⅛
16¾	8½	AcmeC .40		3.4		49	12	11¾	11¾	−¼
10½	6⅝	AcmeE .32b		4.5	19	2	7⅛	7⅛	7⅛	
20	14⅛	AdaEx 3.05e		20.		96	15⅝	15⅜	15⅜	
19¼	6⅞	AdamM .24		1.5	13	415	16½	16¼	16¼	
24⅞	7½	AMD				5963	14¾	14⅛	14¼	−¼
56¾	29¼	AMD pf 3		7.6		116	40	39½	39½	−¼
11⅞	4⅝	Adobe			12	42	7⅝	7½	7½	−¼
20¼	16¼	Adob pf 1.84		10.		3	18⅛	18	18	
14⅝	6⅛	Advest .12a		1.7	7	176	6⅞	6¾	6⅞	
64¼	40⅝	AetnLf 2.76		6.8	6	4373	41½	40⅝	40⅝	−¾
83½	41	AflPub .40		.7	33	90	58¼	56¾	57	−½
23¾	13	Ahmans .88		6.1	10	2080	14⅝	14¼	14⅜	+⅛
4⅞	1¾	Aileen				93	3½	3½	3½	
53⅞	29	AirPrd 1		2.1	14	950	49	47¾	47⅞	−1⅜
36	11⅛	AirbFrt .60		3.5	23	17	17⅞	17⅜	17⅜	−¼
18½	6¾	Airgas			15	214	12⅛	12	12	−¼
19¾	13½	Airlease 1.30		12.	10	22	18¾	18½	18¾	+⅛
10¼	7⅜	AlaP dpf.87		9.4		28	9¼	9¼	9¼	+⅛
90½	77	AlaP pf 8.28		9.9		z50	84	84	84	−1

[illegible]

Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

AMEX COMPOSITE CLOSING PRICES

Closing prices May 6

OVER-THE-COUNTER

Nasdaq national market, closing prices May 6

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus *stock dividend. c-liquidating dividend. cld-called. d-new yearly* low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. l-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, esti*mated cash value on ex-dividend or ex-distribution date.* u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Continued on Page 29

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Employment data fail to provide clear direction for the dollar

BY COLIN MILLHAM

THE MOST important statistics for the financial markets last week were the US employment data. These initially caused some confusion, because the unemployment rate fell surprisingly to 5.4 p.c. from 5.6 p.c., but the gain in non-farm employment was only 174,000, against forecasts of around 255,000.

The foreign exchanges appeared unsure how to react. The dollar rose to DM1.6845, above a strong technical resistance level of DM1.6830, but was then hit by a large selling order, bringing it back to around DM1.68. This was little changed from the level before the figures were announced.

Mr Rupert Thompson, international economist at Morgan Grenfell, said that if anything the employment data were slightly stronger than expected.

He suggested that the lower than forecast rise in non-farm payrolls was misleading, and that the market should concentrate on an upward revision in the previous month's rise to 296,000 from 262,000. It was also pointed out that the working week showed a substantial rise of 0.3 hours, and that the unemployment rate was the lowest for nearly 14 years.

Mr Thompson added that manufacturing employment rose in relation to the service industries, and that this should mean good news for exports, giving a boost to the dollar.

The fact that the lower than expected rise in non-farm payrolls failed to dispel fears about inflation led to a fall in US Treasury bonds on the news. But it is not clear how great the impact will be on the financial markets during the coming week.

Market reaction to the employment data was that there is no immediate justification for a tightening of the Federal Reserve's monetary stance.

There are signs that US commercial banks are looking for an excuse to increase prime lending rates, but the indications on Friday were that the Fed is not yet ready to tighten.

The US authorities may be tempted to wait for further data, if only because they would rather get any rise in interest rates over at one time, rather than encourage a series of prime rate gains during the US presidential campaign.

This leaves dealers in Europe with no clear picture about what to do next.

Yields on West German Federal bonds, coupled with high money supply *growth, point* towards higher interest rates in Frankfurt, and much the same can be said in London. Prices on the London financial futures market have for some time discounted a rise in UK bank base rates.

The UK authorities are known to be worried about the level of growth in consumer credit, and are believed to be looking for an excuse to increase base rates.

The Bundesbank and the Bank of England might like to increase interest rates, but require a lead from the Federal Reserve.

West Germany does not want to encourage an inflow of capital into Frankfurt, boosting the level of the D-Mark, and putting strains on the European Monetary System.

The Bank of England has a similar problem with the pound. Sterling has retreated from a peak of around DM3.16, but has bounced off a technical resistance level of DM3.1250, to stabilise at about DM3.13. The authorities would not like the embarrassment of lifting base rates, only to see sterling heading up towards DM3.20.

£ IN NEW YORK

May 6	Close	Previous Close
£ Spot	1.8625-1.8635	1.8605-1.8615
1 month	0.13-0.11pm	0.13-0.12pm
3 months	0.46-0.43pm	0.51-0.48pm
12 months	2.12-2.02pm	2.23-2.14pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 6	Previous
8.30 am	78.0	77.9
9.00 am	77.9	77.9
10.00 am	78.0	77.8
11.00 am	78.0	77.8
Noon	78.0	77.9
1.00 pm	77.9	77.9
2.00 pm	77.9	77.9
3.00 pm	77.9	77.9
4.00 pm	77.9	77.9

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3948	+2.21	+0.94	±1.5344
Danish Krone	7.85212	7.99586	+1.83	+0.56	±1.5404
German D-Mark	2.05853	2.07376	+0.74	-0.53	±1.0981
French Franc	6.90403	7.05150	+2.14	+0.87	±1.3674
Dutch Guilder	2.31943	2.32538	+0.26	-1.01	±1.5012
Irish Punt	0.768411	0.777286	+1.15	-0.12	±1.6684
Italian Lira	1483.58	1546.24	+4.22	+3.44	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

May 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8585-1.8665	1.8610-1.8620	0.13-0.10cpm	0.74	0.46-0.41cpm	0.93
Canada	2.2955-2.3030	2.3010-2.3020	0.15-0.25cdis	-1.04	0.37-0.50dis	-0.76
Netherlands	3.50¼-3.51¼	3.50¼-3.51¼	1¼-1cpm	3.85	3⅞-3½pm	4.21
Belgium	65.35-65.65	65.40-65.50	15-5cpm	1.83	45-31pm	2.32
Denmark	12.06¼-12.10¼	12.06¼-12.07¼	⅞-1¼oredis	-1.30	2⅞-4⅞dis	-1.28
Ireland	1.1715-1.1765	1.1730-1.1740	0.06-0.12pdis	-0.92	0.21-0.36dis	-0.97
W. Germany	3.12½-3.13½	3.12½-3.13	1⅛-1¼pfpm	4.80	3⅞-3½pm	4.72
Portugal	255.85-257.35	255.85-256.85	50-100cdis	-3.51	175-285dis	-3.59
Spain	206.95-208.20	206.95-207.25	24-44cdis	-1.97	75-101dis	-1.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

May 6	Bank rate %	Special* Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates for May 5

CURRENCY MOVEMENTS

May 6	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

May 6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

May 6	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

May 6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE FT-SE INDEX FUTURES OPTIONS / LIFFE $/£ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING / PHILADELPHIA SE £/$ OPTIONS / LONDON SE £/$ OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE) / CHICAGO

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Jun	0.7177	0.7181	0.7150	0.7148
Sep	0.7273	0.7280	0.7244	0.7243
Dec	0.7370	0.7380	0.7365	0.7344
Mar	0.7470	0.7470	-	0.7444

STANDARD & POORS 500 INDEX $500 times index

	Close	High	Low	Prev.
Jun	258.15	260.95	256.80	259.35
Sep	259.95	262.60	258.70	261.15
Dec	261.60	264.40	260.50	262.90
Mar	263.20	266.20	262.00	264.70

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	Last	Aug. 88 Vol	Last	Nov. 88 Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 21,353

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Central Capital	8	Midland Bank	8		
● Charterhouse Bank	8	Mount Bnkg Corp.	8		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.5%. Sunrise 6.16%. Top Tier-£2,500+at 3 months' notice 7.5%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 3.08%. Mortgage 9.125% - 9.5%

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	FRIDAY MAY 6 1988					THURSDAY MAY 5 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	121.19	+0.4	96.52	104.71	4.15	120.70	95.85	104.72	122.50	91.16	136.48
Austria (16)	91.29	+0.0	72.71	79.65	2.63	91.27	72.47	79.54	98.18	84.35	91.15
Belgium (65)	127.42	-0.5	101.48	111.08	4.50	128.11	101.73	111.68	139.89	99.14	121.05
Canada (125)	121.24	-0.6	96.56	108.65	3.08	121.96	96.85	108.94	125.49	107.06	130.52
Denmark (39)	118.45	-0.6	94.34	104.47	2.76	119.14	94.61	104.80	123.36	111.42	117.44
Finland (25)	127.81	-0.4	101.80	107.64	1.95	128.35	101.92	107.85	128.72	106.78	–
France (121)	89.26	+0.2	71.09	79.98	3.99	89.08	70.74	79.85	90.19	72.77	121.26
West Germany (99)	75.44	-0.8	60.08	65.89	2.79	76.03	60.38	66.37	80.79	67.78	94.19
Hong Kong (46)	102.40	-0.5	81.56	102.71	4.44	102.96	81.76	103.23	105.83	84.90	110.83
Ireland (18)	122.78	-0.1	97.79	109.02	4.24	122.86	97.57	108.95	123.91	104.60	127.20
Italy (102)	75.70	+0.4	60.29	70.81	2.67	75.36	59.84	70.60	81.74	62.99	107.68
Japan (456)	175.30	-0.8	139.62	138.35	0.51	176.70	140.32	139.17	177.27	133.61	161.28
Malaysia (36)	132.61	-0.5	105.61	132.05	2.74	133.24	105.80	132.54	133.24	107.83	153.05
Mexico (14)	123.96	+0.1	98.73	309.97	1.15	123.85	98.35	309.97	176.90	90.07	189.68
Netherland (38)	107.66	+0.1	85.74	92.60	5.00	107.50	85.36	92.39	110.66	95.23	117.63
New Zealand (22)	78.14	+0.8	62.23	60.67	5.41	77.55	61.58	60.22	79.15	64.42	95.48
Norway (25)	123.01	-1.2	97.97	103.06	2.94	124.54	98.89	104.12	132.23	98.55	131.15
Singapore (26)	112.73	+0.0	89.78	104.13	2.40	112.72	89.51	104.04	114.93	97.99	127.44
South Africa (60)	124.99	+0.3	99.54	79.20	5.30	124.63	98.97	79.20	139.07	118.16	174.56
Spain (42)	150.95	-0.3	120.22	127.17	3.40	151.35	120.19	127.39	155.36	130.73	102.88
Sweden (38)	121.60	-0.1	96.85	105.94	2.67	121.70	96.64	105.89	124.75	96.92	123.14
Switzerland (56)	77.49	-0.6	61.72	67.33	2.54	77.93	61.88	67.59	86.75	76.22	99.85
United Kingdom (329)	139.22	+0.3	110.88	110.88	4.32	138.76	110.19	110.19	141.18	123.09	143.68
USA (582)	104.88	-0.5	83.53	104.88	3.70	105.38	83.68	105.38	110.51	99.19	120.19
Europe (1013)	108.58	+0.0	86.48	91.32	3.83	108.53	86.18	91.14	110.71	97.01	120.85
Pacific Basin (674)	170.32	-0.7	135.65	135.56	0.70	171.60	136.27	136.34	172.26	130.81	158.42
Euro-Pacific (1687)	145.62	-0.5	115.98	118.00	1.64	146.37	116.23	118.40	147.53	120.36	143.43
North America (707)	105.76	-0.5	84.23	105.13	3.66	106.26	84.38	105.61	111.28	99.78	120.74
Europe Ex. UK (684)	89.61	-0.2	71.37	79.02	3.38	89.81	71.32	79.17	92.81	80.27	106.70
Pacific Ex. Japan (218)	110.23	+0.1	87.79	99.76	4.20	110.13	87.46	99.88	111.90	87.51	123.52
World Ex. US (1886)	144.56	-0.5	115.14	117.38	1.72	145.30	115.38	117.77	146.49	120.26	143.33
World Ex. UK (2139)	128.30	-0.6	102.18	113.33	2.12	129.05	102.48	113.88	130.28	111.77	133.38
World Ex. So. Af. (2408)	129.28	-0.5	102.97	113.33	2.31	129.93	103.18	113.76	130.96	113.26	134.02
World Ex. Japan (2012)	107.15	-0.3	85.34	99.95	3.76	107.43	85.31	100.15	110.99	100.00	121.45
The World Index (2468)	129.26	-0.5	102.95	113.09	2.33	129.90	103.15	113.51	130.92	113.37	134.28

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd.1987
CONSTITUENT CHANGES ; Deletions ; Certain Teed (U.S), Matsushita Elect. (Japan) and Rheem Australia (Australia). Name change ; Union France Banque to UFB Locabail (France).
South African market closed May 6.
Mexican market closed May 5.

MONEY MARKETS

Europe waits for the Fed to act

INTEREST RATES generally lacked direction last week as dealers tried to decide whether there was going to be a tightening of conditions, led by the US Federal Reserve.

Friday's US employment news did not provided any strong guidance on the immediate direction of US rates, but Europe looks for a tightening of US monetary policy at some time in the not too distant future.

Dealers in Frankfurt feared the West German Bundesbank might encourage higher interest rates last week, but the central bank kept rates steady by maintaining the rate on last week's securities repurchase agreement tender at 3.25 p.c.

UK clearing bank base lending rate 8 per cent from April 11

In London the discount houses showed signs of nervousness about interest rates, and were keen sellers of bills.

Houses do not want to be left holding paper at a time when interest rates rise. The present Bank of England intervention rate for buying bills from the market is 7⅞ p.c., but some long dated band 4 bills were sold to the authorities on Thursday at 7⅞ p.c.

There is unlikely to be much more guidance for the market this week. The US Treasury holds its quarterly refunding auctions, and will not wish to see a weakening of the dollar while these are taking place.

Figures on US retail sales for April will be published on Thursday and producer prices for the same month on Friday.

April UK producer prices will be released today, but none of these statistics are regarded in the first division of importance, and are unlikely to have much impact.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 6) 3 months US dollars		6 months US Dollars	
bid 7⅛	offer 7¼	bid 7¼	offer 7⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

	May 6	Apr 29		May 6	Apr 29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	May 6	change		May 6	change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SECTION III

FINANCIAL TIMES SURVEY

The country's rapidly increasing prosperity is being matched by demands for a political system comparable to those of other industrial nations. A bumpy transition from authoritarian rule to democracy is likely to affect many issues, as **Maggie Ford** reports

A whirlwind of change

Left: Kim Dae Jung, chief Opposition leader, addresses a PPD mass rally on Youido Island
Pictures by Ashley Ashwood

CONTENTS

South Korea

FEW PEOPLE a year ago would have imagined that a whirlwind of change was about to sweep through South Korea, a country known mainly for its role in the Cold War, its tendency to authoritarian rule and, more recently, its startling economic growth.

For more than 40 years the bottom half of the divided peninsula has seemed a satellite of the United States, armed to the teeth and run by a succession of rulers who denied political rights to the people in the name of economic development and national security.

In 1986 their efforts led to the country's first ever substantial current account surplus after years of hard slog by workers and management alike.

Six months later the people loudly demanded the right to have a political system that goes along with prosperity in developed countries. The result is a South Korea that can probably never be the same again.

But that is not to say that it is yet a fully-functioning democracy. For at least the next few years the country will endure what most think will be a rather bumpy transition, likely to affect the whole range of issues from regional security, relations with communist North Korea, links with the US, China, Japan and the Soviet Union, as well as the way the political and economic system is to be run.

Internally, the change will have to be substantial to meet people's wishes, for numerous problems relating to authoritarianism must be solved and vested interests are unlikely to give up their power voluntarily. Although there is little concern now about a military coup, the power of the intelligence agencies, the police, and some parts of the bureaucracy has not yet been touched.

A good start has already been made in the labour sphere, however, after an outburst of suppressed rage led to nationwide strikes and several violent incidents last year.

This year's wage round, which is still under way, has featured weeks of peaceful negotiations at many companies accompanied by some strikes, but on a much smaller scale. Both workers and management appear to be quickly learning bargaining skills, helped in many cases by young professional managers who themselves disapprove of the repressive methods used against workers in the past.

The fact that last year's nationwide month-long strikes resulted in a loss of only $250m from South Korea's current account surplus of nearly $10bn suggests that workers are just as committed to the improvement of the economy as managers. The hidebound confrontational tactics once typical of Europe are unlikely to develop in the future.

Politically, the startling result of the National Assembly elections last month, in which the ruling Democratic Justice Party lost its majority for the first time in the country's post-war history, suggests that a change in attitude towards the parliament may take place.

This election, unlike the presidential poll last year won by Mr Roh Tae Woo of the DJP, was not subject to allegations of fraud. But the National Assembly has never previously been allowed by the Government to function as anything other than a rubber stamp and it is too early to say whether or not it will exercise any power.

All three Opposition parties, led by the three Kims so long a feature of South Korean politics, have promised to cooperate with the ruling party as long as it proceeds sincerely with democratisation measures.

The Assembly was given strong new powers under the new constitution negotiated last year after Mr Roh's concessions to the public demonstrations and theoretically will be able to investigate such sensitive topics as corruption by the previous regime, election fraud and the Kwangju incident, an uprising in 1980 in which at least 200 people were killed by the military.

While Mr Kim Dae Jung, the chief opposition leader, will want to pursue these matters, he has said that in the interests of stability, some or all of them may be deferred until after the Olympic Games in September.

The appointment of Mr Park Jun Byung, who commanded the Kwangju troops in 1980 as secretary general of the DJP suggests that the Government is determined to deflect an issue which could affect many senior members of the present Administration, including the President.

Mr Roh, who promised to hold some kind of vote of confidence in his presidency after the Olympics, may also face difficulties over the issue of election fraud last December.

But public opinion over the movement to democracy has now evolved into a strong national consensus which may be temporarily checked, but not diverted, by dramatic events. The ruling party may be able to delay the change, but will probably be forced to make concessions in the end.

The same is true of the economy. South Korea recorded a growth rate of 12 per cent last year for the second year running and this year's result is expected to reach double figures. Its current account surplus jumped from $4.8bn in 1986 to $9.7bn last year, and all indicators suggest that a repeat performance can be expected this year.

The country's foreign debt has been reduced from $46bn in 1985, the fourth largest in the developing world, to $35bn and creditor status is expected within about two years. Accompanying this success South Korea has faced mounting protectionist pressures, especially from the US, to which it has responded with a liberalisation of trade restrictions, and an appreciation of the won currency.

The US has intensified pressure in this election year, a policy which is likely to continue, amid loud complaints that Seoul is doing too little, too late. European officials and businessmen have joined the chorus with the added objection that the South Koreans are not giving them equal treatment with the Americans.

Seoul officials and companies are scrambling to deal with the management problems of having a surplus rather than a deficit economy, focussing particularly on the danger posed by inflation, which was heading for a year on year rate of about 8 per cent compared with the rates of 3 to 4 per cent experienced over the past few years.

Their main efforts were directed at controlling the inflow of funds, which resulted in a large increase in outward foreign investment, and the first signs that overseas portfolio investment might be allowed soon.

Draconian travel restrictions have been eased, resulting in a surge of Koreans booking overseas holidays.

The bright economic prospects have prompted growing demands for the introduction of free market forces into what has been a highly centralised economy. Arguing that controls in the financial sector are stunting companies abilities to compete internationally, the free marketeers are likely to continue their campaign for liberalisation with the movement offshore of manufacturing, either to cope in advance with protectionism in the US or Europe or to avoid the problem of higher labour costs at home.

Perhaps the most interesting area of potential change for South Korea over the next year lies in the possibility of new regional realities emerging. Almost all nations are now signed up for the Seoul Olympics, including the Soviet Union and China, the first time all have competed for more than a decade, and hints are emerging that new relationships may be forged

Relationships on the peninsula have been frozen since 1953 at the end of the Korean War, with no contact between North and South, no confidence-building measures and 40,000 US troops present with the dual role of defending the south and playing a part in regional security. North Korea has relationships with both China and the Soviet Union, and the situation has remained stable.

But analysts believe that a number of changed realities could augur a new conception by the superpowers of the best way to maintain stability in Korea. One argument suggests that although unification of the peninsula is very unlikely in the near future, something approximating more to the German situation might be desirable.

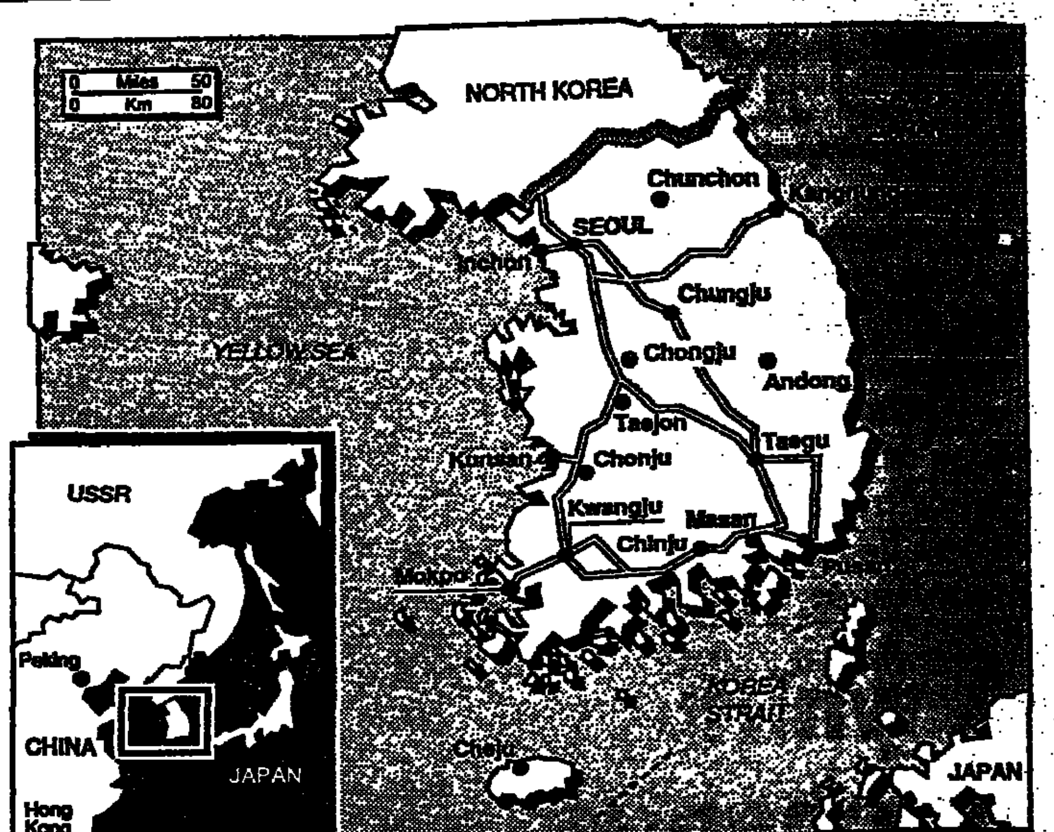
Others point out that North Korea is also in a state of transition, as Kim Il Sung hands over power to his son Kim Jong Il, and that an opening up would be in its own political and economic interests. The strong emotional desire on both sides of the demilitarised zone for unification is widely understood.

Some Western diplomats believe that concern over the rise in tension between the two Koreas leading to an accidental conflict in the region is causing a reappraisal of the past. The pragmatic approach of Mr Mikhail Gorbachev, the Soviet leader, and signs of greater warmth between Beijing and Moscow could also contribute to change.

On almost all fronts, South Koreans are expecting progress in the near future, and years of experience tell them that it will not be without surprises, some of them perhaps unpleasant. But as the Olympic Games draws closer, optimism prevails that last year's events were a watershed, and that the only way to go is forward.

In spite of the consensus in favour of political change, so far President Roh has altered little apart from his style

Political demonstrators face helmet-clad police: has the "logic of power" now moved on?



Time for the roller coaster to come down to earth

FOR THE past year Seoul's Opposition politicians could be forgiven for thinking that they were travelling on a particularly bizarre Disneyland roller coaster, veering between Fantasyland and *the House of Horror*.

Though they have not been sure where they – or indeed the country – were going, the sensation nevertheless has been exhilarating, requiring strong nerves and a stout constitution. Contrary to all expectations, all three leaders have survived so far.

Take the experience of Mr Kim Dae Jung. A year ago he was confined to his house under arrest, surrounded by riot police. Newspapers were forbidden to publish his picture or report his views, many of his supporters were in jail and he was regarded by most South Koreans as a dangerous radical.

By September Mr Kim's life was changing drastically. After *the June demonstrations against* the government of ex-President Chun Doo Hwan, his successor Mr Roh Tae Woo promised presidential elections and Mr Kim was a candidate.

By December he was drawing crowds in the millions in Seoul *and the provinces, with not a riot* policeman in sight. Even the sceptics dared hope that the election could be won by the Opposition. But when Mr Roh triumphed, it was Mr Kim who took most of the blame for dividing the Opposition and allowing the ruling party candidate to win with only 36 per cent of the vote.

By last month, many had written his epitaph as an old guard veteran whose time had passed. Few would have believed that he could emerge from last month's National Assembly elections as leader of the largest Opposition party in a legislature where the Government has lost its majority.

Mr Kim is now portrayed in the controlled press as a moderate *and is potentially a power in the* land.

Or, take Mr Kim Jong Pil, who did not even have a political party this time last year. This Mr Kim, Prime Minister in the Government before President Chun Doo Hwan's 1980 military coup, *had apparently been sulking ever* since the coup, his assets confiscated by the latter regime and his power removed.

He too seized the opportunity offered by Mr Roh's election pledge, ran predictably fourth in the presidential poll and then expanded his support in the National Assembly elections.

Mr Kim can look forward to a potential pivotal role in a minority assembly.

Mr Kim Young Sam, the third Opposition leader, has had an equally tumultuous year. Though never treated as harshly as Mr Kim Dae Jung, he has had his share of persecution over the years.

Favourite until the last minute *in the presidential election*, he suffered a humiliating result and was eventually forced to step down as leader of his party in response to a shower of criticism over the failure of the Opposition to unify.

Voted into third place in the National Assembly election, Mr Kim has probably suffered most in the past year, and seen the least compensatory success. Of all three Opposition leaders, he has the most rebuilding to do.

No sooner had President Chun handed over power than a campaign against corruption was unleashed against his family

The pace of change also seems to have produced a bumpy ride for the ruling Democratic Justice Party, especially some of its founding members. No sooner had President Chun Doo Hwan accomplished his dream last February of handing over power peacefully for the first time in South Korea's history than a campaign against corruption was unleashed against his family.

His brother is in jail awaiting *trial on charges of nepotism*, bribery and misappropriation of funds, his wife and father-in-law are under suspicion and, to make matters worse, all the allegations appear to be emerging from the camp of Mr Roh, his chosen successor and colleague from his Army days.

Many of his appointees have either been dropped or voted out in the National Assembly elections and there are even rumours *of military and Cabinet reshuffles* to reduce further any residual power he may have established.

The future looks even gloomier, for removing the legacy of Mr Chun's regime is a top priority of an Opposition looking for genuine democratic stability.

The new National Assembly has investigative powers which are likely to focus on corruption and on the facts of the Kwangju incident – in which at least 200 people were killed in the south western city of Kwangju when demonstrations against imposition *of martial law by the* new Chun government were forcibly put down by the military.

The truth of the matter, and those responsible have never been revealed.

For the moderates in the ruling party, however, political life is looking noticeably more interesting than it was a year ago. Many younger politicans will now join the National Assembly and the level of debate is expected to rise.

Intra-party democracy in the DJP, previously non-existent, is likely to become the norm under President Roh's new style.

But observers remain cautious, pointing out that President Roh has so far altered nothing apart from his style and has not surrendered any of the power that the Government has always held.

He has delayed the issuing of licences for new newspapers which might go some way to fulfil the demand for a free press; he has released only a very few political prisoners; he has dealt *only halfheartedly* with key matters such as the Kwangju incident, and he has failed to convince people of his sincerity over the corruption inquiries.

All the elements of the former regime including the security police, the judiciary and the local government structure remain entrenched.

Against that, Mr Roh must be aware of the breadth and depth of the national consensus in South Korea in favour of change. It was he who responded to the public anger in June with the offer of elections and the consensus has now spread across all sectors and classes, from businessmen and workers to students and farmers.

All the opposition parties have said that they will cooperate with the ruling party if it shows signs of sincere progress towards democratisation. As Mr Kim Jong Pil put it: "Korea was formerly run by the logic of power. The people have moved on to the next phase and the politicians must follow."

While those on the roller coaster were not prepared to predict any less bumpy a ride this year, optimism prevails that the route might now move on, from the realm of the funfair to the serious business of the real world.

Maggie Ford

Foreign policy

US tie feels tight

WHEN A South Korean talks about "The Ambassador" there is only one of the 90 or so extraordinary and plenipotentiary excellencies to whom he can be referring: the one from the United States.

The special relationship with the US dates back to the 1950-53 Korean War. It is an immensely powerful link which has hitherto served the interests of both sides extremely well.

But as South Korea emerges from both autocracy and developing nation status to become an economically important industrialised sovereign state some of its citizens, including senior Seoul administration officials, have started to question whether it is not time to develop a more arm's length relationship with Washington in the interests of foreign policy equilibrium.

Some element of continuing special relationship is inevitable given the current division of the Korean peninsula: there is no peace treaty between the south and north. The border is only 45km from Seoul, or half a minute by fighter aircraft.

About 1.5m Korean troops face each other from the two sides of a nation whose leaders could hardly be more opposed to each *other ideologically yet whose people* share a history of unity which lasted, albeit under periodic occupation, from 668 until 1945.

Although the south is rapidly catching up on the military superiority of the north, the key deterrent to any military adventurism from the north remains the presence of 43,000 US ground and air troops in the south with an array of sophisticated weaponry including nuclear arms.

Seoul contributes to the financial cost of the US presence and is currently being asked to increase its share. But the benefits which flowed to South Korea are enormous in terms of both physical and economic security. They were especially important in terms of implicit support for the dictatorships which ruled South Korea until last year.

However, as South Korea blooms economically and moves to liberalise its financial, trading and political systems, some disadvantages of the special relationship become apparent.

For example, South Korea has been under international pressure to accept international trading standards on the protection of patents and other intellectual property rights. It has given preferential treatment to the US by acceding to demands that it apply its new measures retro-actively to US goods, thus discriminating against manufacturers in all other countries of the world.

Mr Hong Soon Young, Assistant Foreign Affairs Minister, says: "I am sorry we made such an extraordinary concession to the US and it was wrong of the US to ask for it.

"What they got is not justified in international law. But faced with possible retaliation from a country which takes 40 per cent of our exports we were scared and yielded.

"I am sorry and I resent it. They were not looking at the long term. Not a lot of money is involved but it plants anti-US sentiments here and upsets other trading partners."

On the other hand, anti-American sentiment should be kept in proportion. Much appears to be media-hype, sometimes instigated by ministers for political reasons.

The US persistently tops the list in opinion polls asking ordinary South Koreans which country they would most like to visit and, partly as a consequence of the US forces, there is an enthusiasm for much that is culturally young America including fast food, music and clothing styles.

The South Korean Government is moving on several fronts to try to become less noticeably dependent on the US.

First, it is searching to diversify its export markets to reduce the proportion of goods going to the US and concomitantly to reduce its trading surplus with the US.

Despite an unhappy history relations with Japan are improving rapidly as it becomes an increasingly important trading partner. And as part of the process of expanding trade South Korea is establishing increasingly direct and open trading links around the world including China and the East European nations, none of which has diplomatic ties with South Korea.

Hungary and Yugoslavia now have trade offices in Korea, and an increasing proportion of trade with China is effectively direct rather than routed through third countries.

From this might develop informal government contacts and perhaps eventually diplomatic ties. But the Koreans are in no hurry and for the time being mutually beneficial trade links are seen as a valuable first step. In other words relationships are being pursued hard while avoiding the tricky complications which would follow from diplomatic ties, notably that both north and south fear that recog*nition of both their governments* would harden the divide.

South Korea is also upgrading its armed forces fast and early in the next decade should have reached the effective deterrence level (70 per cent of the enemy force).

At that point the South Koreans would theoretically be able to assume military control of ground forces and talks might also begin about a careful, slow and co-ordinated winding down of the US presence although regional strategic positions make it unlikely that the US would withdraw all its forces, particularly the Air Force, in a hurry.

The key foreign policy goal towards achieving South Korea's objective of becoming a fully independent international player must lie with improving relations with the Communist regime in the north.

Both sides are committed to reunification. There is no more emotional subject in Korea and no easier way to reduce many Koreans to tears than to enter into a discussion about the divided families, lost relatives and former homes.

Nevertheless, reunification is widely regarded by both diplomats and many painfully honest Koreans themselves as an unrealistic objective, not only for the *short term but also* for a much longer time ahead although most are convinced it will happen in due historical course.

Progress in improving relations between the two sides has been painfully slow. The perpetration of atrocities such as the murder of a significant proportion of the Seoul Cabinet during a visit to Rangoon in 1983 and the disappearance of a South Korean airliner last December, both generally regarded as North Korean state-sponsored terrorism, reinforce distrust and interrupt successes such as the few visits allowed last year to reunite families.

However, South Korea, *too*, has often shied away from initiatives from the north for amelioration of their tense and distrustful relationship and some Western observers were struck last year that the south was as ingenious as the north at finding excuses for rejecting out of hand ideas from the other side in what became a rather futile ping-pong of offer, rejection and counter-offer.

The Olympic Games in Seoul in September could just be the catalyst for a real step forward in rapprochement. The Games, with almost full participation save for a few boycotters including North Korea and Cuba, will give a spectacular boost to South Korea's image abroad.

The resulting rise in self-esteem and self-confidence could generate a major initiative from President Roh Tae Woo, who predicted last month that the Games would result in a breakthrough within four or five years.

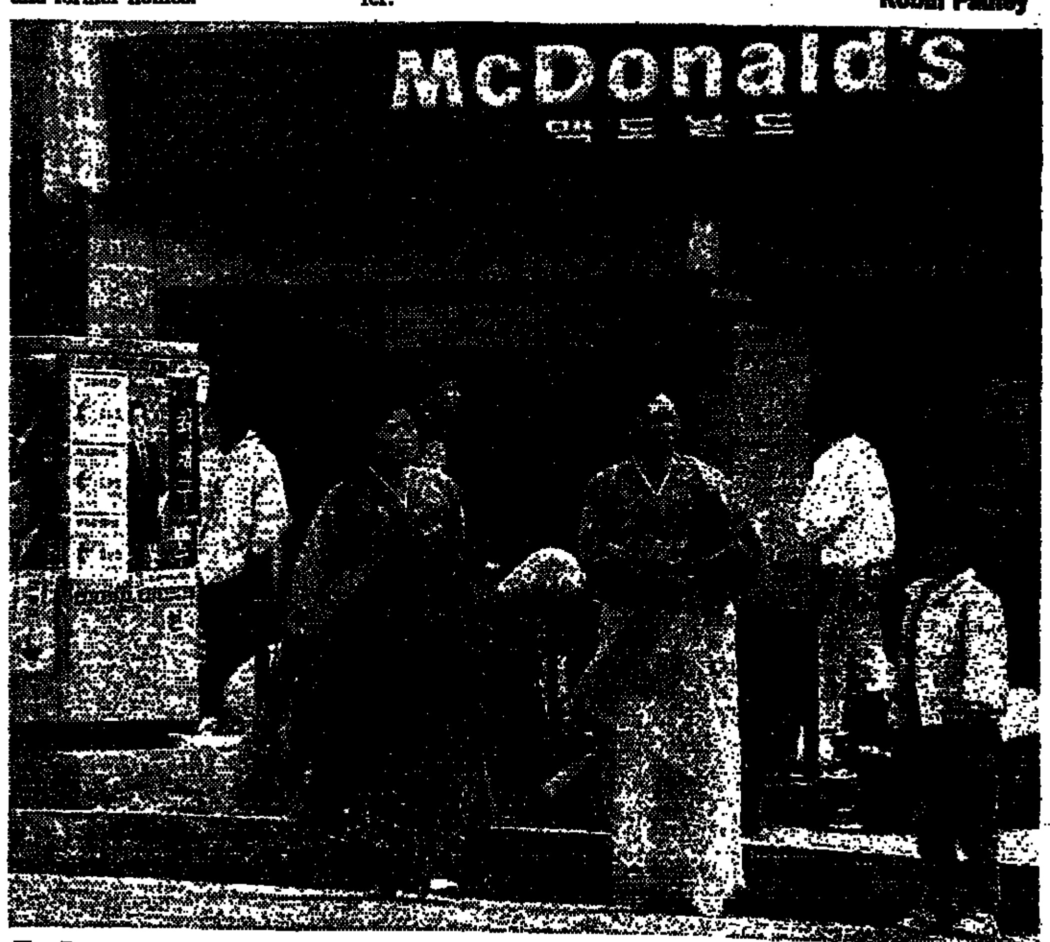
Mr Hong says the pace of moving towards "cross-recognition might be faster than expected" after the Olympics. Cross-recognition would involve Japan and the US recognising North Korea while China and the Soviet Union recognised South Korea.

Diplomatic ties on such a basis still seem far away but Mr Hong says: "I do not rule out the opening of a China-Korea trade office in Seoul any time after the Olympics. That prospect is not that far away."

It would be surprising if a closer move towards China were not accompanied by a similar development with the Soviet Union. That would be the beginning of non-diplomatic cross-recognition.

Given that things happen in South Korea faster than expected and both super powers are keen to resolve regional conflicts, South Korea's foreign policy could replace the Olympics as a focus of attention in the months after the Olympic flame has been extinguished in Seoul.

Robin Pauley



The first name in fast food has reached Seoul, but traditional costumes are still in fashion

The last two years have been the best in the country's soaring economic development

World leader in the race for growth

SOUTH KOREA'S chances of winning a gold medal during this summer's Olympic Games in Seoul are debatable. But in the race for economic growth South Korea is an undoubted champion, leading the world last year and likely to do it again this year.

The results of the country's remarkable development from impoverished war-torn country of the 1950s to an industrial powerhouse are visible everywhere, at least in the capital. Frenetic construction, new apartment houses, an insatiable demand for consumer goods and clothing and, above all, the proliferation of new cars. There will be around 1,000 more shiny new cars in the Seoul traffic jams today than yesterday.

Admittedly Seoul, which contains nearly a quarter of the 42m population, is richer than most of the rest of the country and some rural provinces are still very much in the "poor developing country" category. Nevertheless it is difficult to equate the obvious prosperity in South Korea with a per capita income of only $2,800 a year, half of Taiwan's level.

The country's progress has been widely regarded as stunning. Since 1965 the annual GNP growth rate has been above 5 per cent every year except the country's most difficult year, 1980, when the economy contracted by 5 per cent and the possibility of ruin was very real, particularly as wages increased by 23 per cent in that year and consumer price inflation, Korea's persistent economic bogey, by 29 per cent.

The last two years have been Korea's best. GNP grew by 12 per cent in each year, inflation was stabilised at around 3 per cent, exports and imports soared with the former far outstripping the latter, the balance of payments current account moved into surplus, and one of the world's highest debt mountains started to shrink with some debt retired early and much of the rest better structured with longer maturities.

The debt, down from $47bn in 1985 to $35bn last year, may have all but vanished within the next three to five years.

However, this year looks a little trickier for the economy - although such statements are relative and performance is still likely to be sufficient to draw the envious admiration of many of the industrialised world's leaders.

The Koreans themselves say their export-led performance has been, due in significant part to the "three blessings" – lower oil prices, lower international interest rates and an appreciating Japanese yen. Since all three factors are wholly outside the control of the Koreans to influence, they are in a sense considerable hostages to fortune.

However, the Koreans have also made some correct decisions at the right time which are now bearing bounteous fruit. One was to put highly-educated technocrats into the key positions of running the economy. Another was to adopt a dual pricing policy for export industries, freeing exports to compete internationally but setting high domestic prices for the same product to guarantee profitability. Many developing countries are rueing their failure to adopt similar policies early enough.

But now Korea is in the midst of an inevitably bumpy political and economic transition which throws up new problems, or at least means that old ones can no longer be tackled in the same way.

A notable nuisance this year is the re-emergence of inflation. Labour unrest, wage push and creeping international protectionism are other small but significant clouds on the horizon.

Government and business agree that inflation, rising at around 8 per cent a year, will be a main worry this year. Inflation is nothing new in South Korea and having coped with inflation rates of nearly 30 per cent within the last decade there is some confidence that it can be handled again, although they differ on the most appropriate strategy.

The Government's response has been twofold: a centralised clampdown on price rises of daily necessities and basic industrial items, together with a severe tightening of monetary policy to soak up some of the excess liquidity which has arisen in part by the extraordinary expenditures during the presidential election in December 1987 and the April 1988 national assembly elections.

Mr Sakong Il: flexible and liberalised approach

During the campaign period for the latter about Won 1,000bn was pumped into the money market. More Monetary Stabilisation Bonds (MSBs) look inevitable.

The Government is quite relaxed about the fairly rapid appreciation of the won as it acts as an automatic inflation dampener. Businessmen are less happy and argue with some force that their competitive position based on very narrow margins is being eroded by the won's appreciation and the large wage rises secured by major industry employees through industrial action.

As the Korean economy becomes more sophisticated impacts take much longer to feed through and as the lag appears now to be about 18 months the true significance of last year's highly-disruptive strikes has yet to feed through into the economy and inflation.

A new round of unrest has been experienced this year. In the decade to 1986 the average number of labour disputes in a year was about 120 except for 1980 when there were 400. Last year there were 3,400 as workers used the freer political atmosphere to demand a larger share of the national prosperity they have created.

In the first quarter of this year there were 340 disputes. Most are settled by negotiation and at fairly low levels. The problem is that so much of Korea's output is concentrated in the hands of a few massive conglomerates so a few key stoppages can have a disproportionate impact, particularly if it involves wage claims like the Daewoo shipbuilders' demand for a 55 per cent rise in the face of a Won69bn loss.

Nevertheless, many Koreans feel that after the release of pent-up pressure from repressed workers last year the self-restraint of the Confucian tradition will prevent destructive labour unrest getting out of hand, particularly as the democratisation of the country proceeds. Management, too, appears to be recognising the need for a more conciliatory approach.

There is a benefit to the economy from the inroads that labour disputes and the appreciating currency make in corporate profitability: they speed up the restructuring towards a more automated and higher value-added orientation which ultimately will improve profits and sustain strong growth.

To cope with the displaced labour during the restructuring and to absorb the large number of graduates flooding on to the labour market each year, the economy is estimated to need to grow by about 6 to 7 per cent annually, at least during the entire current five-year plan. The Korea Development Institute estimates the economy can sustain that growth rate for 20 years.

There is a key imperative to all this which has not yet been delivered: the liberalisation and modernisation of what is essentially a primitive financial and banking sector.

The tightest centralised control has been in this sector and it repeatedly keeps corporations starved of the funds needed for further investment in high technology and, critically, in research and development. Again, in the aftermath of the money supply explosion at election time the authorities froze the supply of new bank loans to business and industry in order to mop up excess liquidity.

Mr Sakong Il, the Minister of Finance, says a more flexible and liberalised approach will be introduced later this year. "Some of the restrictive measures in the banking sector will go, interest rates will be liberalised and the money and capital markets should be able to develop more flexibly," he says. But he adds: "We have to move cautiously."

It cannot happen a moment too soon both for the foreign banks and institutions waiting to move into the Korean market and for the Korean businesses desperate for more access to competitive loans and investment funds.

A key short-term objective is to reduce the trade surplus from $10bn last year to around $7bn this year, reduce the weighting of exports in economic growth and boost domestic demand.

While import liberalisation and the appreciating won will help, the trade surplus refuses to give up its dynamic: it rose rather than fell in the first quarter of 1988 to about $3bn and last year's outturn could well be exceeded in spite of the efforts to cool it.

An important obstacle to super-charging domestic demand, even after import liberalisation, remains the domestic savings ratio which has now reached 35 per cent, one of the world's highest.

As the savings ratio outstrips the investment ratio Korea can finance its own future development without borrowing. But the urgency of stimulating domestic consumer demand makes a much lower savings ratio desirable.

Some analysts believe the traditional Asian propensity to save – for children's education, old age or hard times – is less prevalent among the educated young. Expenditure on cars, clothes and consumer durables is rising and there is clearly substantial demand for more domestic electrical and electronic appliances. But the saving habit, spurred by very high interest rates, goes on and there is no indication yet of how the Government intends to reduce the savings ratio significantly.

The difficulties facing the South Korean economy are mainly those arising from the transition from developing to industrialised status. They look manageable provided that social and political stability can be maintained. The medium and long-term prognosis therefore remains as bright as ever.

The "three blessings" may be outside the control of Koreans but they have two more of their own: adaptability and determination, both in gargantuan quantities.

Robin Pauley

Korea's balance of payments

($m)

	1988 March	1988 Jan–March	1987 March	1987 Jan–March	Change March	Change Jan–March
Current Account	1,189	2,952	884	2,120	305	832
Trade Account	863	2,321	632	1,562	231	759
Exports	4,774	12,908	3,592	9,373	1,182	3,530
Imports	3,911	10,582	2,960	7,811	951	2,771
Invisible trade account	133	156	157	319	−24	−163
Receipts	950	2,497	922	2,398	28	159
Payment	817	2,341	765	2,019	52	322
Unrequited transfer	193	475	95	239	98	236
Capital Account	−52	280	−535	−63	483	343
Errors of Omissions	322	491	144	−22	178	513
Overall Balance	1,459	3,723	499	2,035	966	1,688

Source: Bank of Korea

The Media

Press in era of change

AFTER SEVERAL decades of close censorship and purges, the South Korean press is moving into a new era of greater freedom, but the movement, as in many other areas of society, is slow and uneven.

"It's totally changed from the situation a year ago," says Mr Kwon Oh Kie, editor-in-chief of the Dong A Ilbo, which has the largest circulation of all South Korean newspapers. Among undisputed areas of progress, he points out that the ubiquitous Ministry of Culture and Information no longer distributes daily guidelines for the domestic press to follow in reporting political or economic news.

But on the southern outskirts of Seoul, a 30-minute drive from the Dong A Ilbo's offices in the heart of town, editors of the Hankyoreh Shinmun have a different perspective.

The recent reporting of a corruption scandal showed an apparent degree of liberty not seen previously

Set up in the wake of Mr Roh Tae Woo's June 29 declaration of political reform last year, which promised a free press, the newspaper is run by a group of journalists who had been purged for their "impure" reporting of the authoritarian regimes of former presidents Park Chung Hee and Chun Doo Hwan.

The Hankyoreh Shinmun journalists were forced to wait several crucial months before receiving their licence to print from the Ministry. This meant that the newspaper, which will publish its first edition this month, was forbidden to cover the April election campaign.

Most observers believe that the Roh Government deliberately delayed approval so that the Opposition-leaning paper could not play a disruptive role during the campaign, which the ruling party lost anyway.

On the other hand, the recent reporting by the mainstream press of a corruption scandal that led to the indictment of ex-President Chun's younger brother, Mr Chun Kyung-Hwan, showed an apparent degree of liberty never seen previously.

While Mr Chun was in power, the press steered away from corruption stories, although journalists were aware that the President's family was apparently accumulating a large amount of money in possibly unsavoury ways.

But even the coverage of the "Baby Chun" scandal was hardly an example of Watergate-style reporting. The disclosures of wrongdoing appeared to be leaked from members of President Roh's administration, possibly to banish the ex-President from politics once and for all by dragging his family's name through the mud.

The press has loudly called for Government probes of corruption in the Chun era, but remains too timid to start its own investigations of the numerous rumours which are common in public gossip. Observers believe that in many cases the official "guidance" from the Government has been replaced by self-censorship.

That is not surprising in a country where 900 journalists have lost their jobs since the 1970s for failing to toe the party line.

While the politics of publishing remain hazy, the economics are clear. Like most other financial endeavours in economically buoyant South Korea, the newspaper business is booming. According to Mr Kwon of the Dong A Ilbo, advertising lineage is increasing at an annual rate of about 15 per cent.

Newspapers have been allowed to increase the number of their pages and are competing hard for advertising budgets. Last year, Mr Kwon said his newspaper posted a Won 5bn profit on revenue of Won 75bn.

The rules of business are also changing. "Until now, advertising sales were not wholly dependent on market mechanisms," Mr Kwon says, explaining that "some big companies did favours to certain newspapers" while others preferred to distribute their advertising spending blindly among some or all newspapers.

Now that advertisers are directing their budgets more carefully, publishers' personal or political connections may not be enough to guarantee profitable business levels.

In South Korean broadcasting, there has been little or no change. The two state-owned television stations, KBS and MBC remained slavishly pro-Government during last year's presidential election and not much better during the April general election. Things were so bad during the December poll that some journalists at KBS went on strike to protest against the biased coverage.

It is a sign of the contradictions remaining over press freedom that newspapers have started to criticise the broadcast media. "The management of the two broadcasting stations remains unchanged with the 'old faces' still playing dominant roles," said the English language Korea Times. "They are engaging in one-sided publicity, supporting the ruling group."

Few people in Seoul expect the slant of the two television stations to change in the near future, for the impact of television is regarded by ruling party politicians as too strong to allow it to slip out of Government control.

Peter Maass

The trade surplus is so substantial that partners want the barriers removed

Tariff parity planned in five years

FOR YEARS South Korea battled away in the maelstrom of world trade, stacking up trade deficits and mountains of foreign debt. Two years ago the current account balance moved into surplus – and then the pressure really began.

The 1986 surplus on the balance of payments current account was $4.6bn. Last year it doubled to $10bn, a figure which is probably understated. Not surprisingly, many of the trading partners running bilateral deficits with South Korea demanded a faster appreciation of the country's currency, the won, and the urgent dismantling of some of the world's highest barriers to free trade.

The pressure came mainly from the US, South Korea's principal export market. The bilateral deficit in favour of South Korea has grown from $3.6bn in 1984 to $9bn last year. As Korea is one of the most protectionist of nations and the US one of the least, this mounting deficit has been a key element in demands in the US Congress for more protectionist measures, culminating in the approval last month of the Trade Protection Bill.

Some South Korean officials have sympathy with the US arguments but they plead that, as the country moved into surplus only two years ago, tariff reductions and market liberalisation needs to be tackled cautiously so as not to destabilise what they regard as an inherently fragile economy.

To Western diplomats this sounds like so much hokum from what they regard as an increasingly robust economy: the world's 12th-largest trade volume and the retiring of foreign debt at a rate likely to make South Korea a net creditor nation by early next decade.

South Korea has been slowly reducing trade barriers since 1983-84 and about 95 per cent of all imported items are now free of quota barriers, leaving about 360 items subject to quota.

The average import tariff is down to 18.1 per cent. But this compares with 11.7 per cent in Taiwan and 1987 averages of 7.9 per cent in the EEC, 6.2 per cent in the US and 5.9 per cent in Japan.

The plan is to reach the industrialised nations' average of about 7 per cent by 1993. Dr Kim Chulsu, Assistant Trade Minister, says: "We do want to get these tariffs down, particularly to help reduce our overall trade surplus.

Tariff cut schedule – 1989-93 (%)

	Now	1989	1990	1991	1992	1993	Major items
Industrial products	20	15	13	11	9	8	Most finished goods
	30	20	16	13	10	8	garment, electronics
	50	*	*	*	*	*	automobile, jewellery
	15	15	13	11	9	8	farming machine, rolling stock, medical equipment
Agro-fisheries products	30	30	30	25	25	20	meat, chocolate
	40	35	35	30	30	25	dairy products, coffee
	50	40	40	40	35	30	fruit, vegetable
	100	50	50	40	40	30	wine, tobacco, banana
Raw materials	5	1-2	1-2	1-2	1-2	1-2	raw ores
	10	5	5	4	4	3	raw rubber, raw-hide

We will try to make our tariffs more uniform - below 5 per cent for raw materials, below 10 per cent for intermediate goods and below 15 per cent for final products." Some of these targets may not be met by 1993, however.

The highest tariffs are of course the most contentious and even by 1993 they will remain relatively high. They are all in the agro-fisheries sector.

Indeed, following the ruling Democratic Justice Party's failure to secure a majority in the recent National Assembly elections, the already sensitive issue of exposing farming to the harsh winds of freer trade may have to be dropped.

The farming lobby in Korea is powerful, organised and potentially disruptive as it is in many other countries including the US and Japan (even though the latter no longer has much of an agricultural sector). It is these political sensitivities which put relatively minor agricultural from 10 and 100 per cent to 7 and issues into the hottest part of the trade war.

Beef, with a market worth of a paltry $40m, is one of the most contentious current issues between the US and South Korea, even though an opening of the Korean market would probably see the Australians rather than the Americans capturing most of it. But, crucially, farmers in the US and Korea can see their administrations standing up for them.

Meat and chocolate imports currently carry a 30 per cent tariff, dairy products and coffee 40 per cent, fruit and vegetables 50 per cent, and wine, tobacco and bananas 100 per cent (one result being that there are about four years' harvest equivalent of tobacco leaf of unuseable quality warehoused around South Korea). These tariffs will all still be between 20 and 30 per cent by 1993.

This month tariff cuts will be 60 per cent. The very high taxes imposed on imports of foreign cars are also due to be cut.

This move is also to try to lower the temperature in a very contentious area and follows the dumping charge brought against Hyundai over its sub-compact size cars in Canada. The Canada Import Tribunal ruled in Hyundai's favour in April but the Korean Ministry of Trade and Industry fears further similar suits if the severe disadvantage imposed on foreign cars is not mitigated.

Demands for more rapid appreciation of the won get less response. The currency appreciated against the US dollar by 9 per cent last year and a further 7 per cent so far this year.

The rate of increase has slowed amid increasingly loud howls of anguish from small and medium-sized businesses and most observers expect the won to be still above 700 to the dollar by the year end.

"This country can no longer delay the liberalisation of imports and hedge the calls to promote competition among businesses. But there is simply no room for the won appreciation," says Mr Choo Hakchung, a senior fellow at the Korea Development Institute.

made on about 100 commodity items, reducing the tariff range.

Another branch of trade policy is to try to reduce the reliance on exports by stimulating domestic demand and localising more component production. In addition serious efforts are being made to diversify the country's export markets to reduce the dependency on North America and improve the balance of the bilateral figures.

The appreciation of the won should mean that many US products are now competitive in the Korean market. But because of the huge difference in trade figures between the two sides the increase in Korean imports from the US would have to be twice as high as Korean exports to the US, which dictates a dauntingly difficult task.

Korea has the reverse problem with Japan where the balance of trade is heavily in Japan's favour. Korea, helped by the yen which is appreciating more rapidly than the won, appears to be making substantial progress in redressing the balance.

Exports to Japan are increasing at the rate of about 50 per cent a year. Korean cars, one of the most remarkable of the country's manufacturing and design successes, are just starting to appear in the Japanese market. Electronic goods and steel are also moving sharply upwards.

The bilateral deficit against Korea may *fall from $5.2bn in* 1987 to between $4bn and $4.5bn in 1988, says Dr Kim Chulsu.

But the Americans are sceptical that very much will change other than at the margins. They expect to remain the principal focus of Korea's aggressive exporters and this belief partly accounts for the very heavy hand the US is laying on Korea to persuade it to liberalise its markets.

The US has removed or "graduated" South Korea from its GSP (general system of preferences) list, ostensibly in recognition of the fact that the country is no longer considered to be "developing" but actually as retaliatory pressure for "unfair" trade practices.

In fact, the impact on Korea's trade is *not* expected to be significant although some small and medium-sized companies will be hurt since their competitiveness has hinged on the advantage gained from the GSP programme.

A senior US official says: "If Korea was going to sell a lot of cars to Japan the plants would be modified to account for the differing tastes, exhaust standards and the like. You don't see it.

"Korea has its sights firmly set on the huge North American market for sub-compacts where it wants to displace Japanese cars. That is where Korean capacity is going to continue to go."

Nevertheless, the Koreans are starting to tap some other potentially large markets. Industry, particularly the semiconductor and electronics sectors, is keen to develop in Europe and to be well placed by the time the Common Market countries become a single market area in 1992.

More delicately, given the ties of North Korea to the Eastern bloc and China, South Korea is developing its trading links in the Communist world. Total Sino-Korean trade was about $1.8bn in 1987 and is likely to be $3bn this year. Textile products account for about 40 per cent of each side's exports to the other, with Hong Kong or Japan usually acting as the intermediary

Coal from the joint venture in Shanxi between China and Occidental Petroleum is expected to become an increasingly significant Chinese export to South Korea.

Trade with Eastern Europe is further behind, while total trade with the Soviet Union is only about $300m a year. However, Hungary and Yugoslavia have opened trade offices

Robin Pauley

Yes, we have some bananas – but at a price

ALL OVER Seoul at this time of year, street traders have barrows loaded with one of the most peculiar results of South Korea's closed agricultural market: bananas the colour, and what seems like the price, of gold.

Most are truly awful: hard, aged and tasteless. But as they are extremely expensive, they are a prized delicacy and Seoul's sophisticates spend many a minute looking, turning and judging before buying a single specimen of generally miserable quality.

South Korea imports some bananas, principally from Taiwan but also from countries like the Philippines. They attract a 100 per cent import tariff which of course has to be passed on to the customer.

The price rises even higher because banana imports are a monopoly controlled by South Korea's apple exporters. They export their uncompetitive apples at a loss and make up their profits by charging the earth for bananas.

Worse still, central planners decided that the delicacy should also be home-produced even though South Korea's climate with prolonged sub-zero temperatures in winter is about as suitable for bananas as for coconuts or dates. So they are grown in hothouses whose annual heating and upkeep costs make it more than twice as expensive to produce a poor domestic banana as to import the foreign ones.

This is not the main reason why some of South Korea's trading partners regard its protectionist agricultural trade policies as bananas, but it helps.

Robin Pauley

Along Itaewon, in central Seoul, things are not always what they seem. Even though tourists may often have no complaints, the original manufacturers are furious

Copyright and patents

'Intellectual property' rows impede harmony with US and Europe

THE SHOPGIRL picks up a handful of watches and says: "Which one you like: Rolex, Cartier, Gucci?"

The scruffy stores along Itaewon, in central Seoul, stock the world's largest selection of luxury brand-name goods. Alongside the watches are handbags, luggage, clothes and sports equipment. All of them are fake.

The customers, mostly tourists, have no complaints about paying $30 for an imitation Rolex, or $20 for a Louis Vuitton handbag. But the original manufacturers are furious as they count the cost of lost licence payments and devalued brand names.

Last July South Korea joined international agreements on patent and copyright law – or intellectual property. Previously Korean law had held that only processes – not products – could be patented, so companies which succeeded in making a product in a different way from the original manufacturer could not be sued.

In theory, the endorsement by Korea of patents for products should mean that corporate copyrights will now be as well protected in Korea as in other Western countries.

In practice, disputes over intellectual property remain one of the thorniest and most complex issues in trade relations between Korea and the US and, separately, Western Europe. Apart from luxury goods, the most badly-affected industries are book and software publishing, drugs and fine chemicals.

Intellectual property was one of the main items on the agenda for bilateral US-Korean trade meetings which were due to be held in the first week of May.

The dispute centres on the interpretation of a retroactive agreement which gave American companies alone protection for patents granted long before Korea's accession to the international conventions on July 1 1987.

Under this deal, Korea agreed to extend protection to 1977 in the case of written copyright (books), 1980 for drugs and fine chemicals, and 1982 for software.

The clauses covering drugs and fine chemicals are, in the words of one senior US government official, "a horror." The deal extended protection to so-called "pipeline products" – that is, products under development but not yet marketed. Unfortunately it left the indentification of such products to subsequent consultations.

A senior Korean lawyer says the Korean Government made a mistake because it expected to list about 100 pipeline products when about 1,000 have been put forward for protection. For their part, US negotiators have been criticised for not defining these products more precisely in the first place.

EC countries say the US-Korean deal is unfair because it discriminates against them

Meanwhile, EC countries are protesting that the whole US-Korean agreement is unfair because it discriminates against Europe. For the past 18 months they have been demanding the same retroactive protection as enjoyed by the Americans – but want a watertight deal.

The Koreans have promised the EC an equivalent agreement. However, they have argued that last year's presidential elections and last month's National Assembly elections have so far made it impossible to pass the necessary legislation. From January this year, the frustrated European Community suspended trade benefits worth $60m to Korea (granted under the Generalised System of Preferences, a scheme for helping developing countries).

Dr Gerhard Jaschek, a senior member of the EEC Business Group in Korea, says: "Before this problem is solved there will be no smooth relations between the EC and Korea. The Koreans know that." He expects talks to resume soon.

However, as a visit to Itaewon makes clear, even once disputes over the rule book are settled there will still be the huge problem of enforcement.

Dr Sang Hyun Song, Professor of Law at Seoul National University, argues that as a developing country, Korea cannot be expected to have large resources to enforce copyright.

Usually, much depends on a manufacturer's willingness to press the Korean authorities into action. Counterfeit goods have been burned after sporadic raids on clothes and sports shoe manufacturers.

Some businessmen in Seoul expect an attack on Itaewon in advance of the Olympic Games in September.

US officials say piracy is also widespread in video films and books, especially US college textbooks, of which some 200m pirated copies are said to be in circulation.

The Korean Government recently proposed taking pirated books off the market by buying them at Won1,000 each. It is difficult to know whether this is a serious plan, still less whether the books would subsequently be destroyed.

US officials say that, overall, Korea's enforcement efforts are "incomplete and haphazard" but "sincere." The officials are under pressure from American industry to produce results. E. R. Squibb, the US pharmaceutical company which claims a Korean company is infringing a patent, has asked the US Administration to retaliate.

There are hopes that solutions will emerge as Korea's economic relations with developed nations deepen. Several company-specific arguments have been settled – often with the alleged counterfeiter signing a licensing deal with the aggrieved foreign company.

Apart from the money involved, the overseas company wins a local partner with an interest in making sure that no other Koreans copy the products.

Such agreements obviously work best in industries where sizeable Korean companies are operating – as in pharmaceuticals. But it is a different matter trying to root out every printer, tailor and watchmaker who offends.

Stefan Wagstyl

A generation of economists is demanding a more open system

Financial reforms in the air as controls ease

SEOUL'S GLEAMING skyscrapers are as modern as any in the world. But behind the walls of glass and concrete, the Korean financial community will have to undergo great changes before the city becomes a modern financial centre.

Government officials, bankers and brokers agree that the financial system is in need of reform. But there is great debate over how and when changes will take place.

While the Government has abolished some of the tightest controls on financial companies since the early 1980s, the speed of liberalisation has lagged behind the rate of economic growth.

"In financial markets, we are still in the primitive stage," says Mr Kim Kun, governor of the Bank of Korea, the central bank. "Foreigners think that we are more advanced than we really are."

The Korean financial community today is an awkward mix of old and new. At its core are five nationwide commercial banks; they were privatised in the early 1980s but are still heavily controlled by the government, through the Ministry of Finance.

Around them have sprouted other businesses – short-term finance companies, securities brokers and investing institutions – most of which are growing very fast.

As in Japan, the Government has tried to divide and rule finance by defining narrowly the activities of each type of company. But also as in Japan, highly-regulated financial markets have been compatible with high economic growth, so there has been no over-riding argument for drastic change.

Nevertheless, the pace of liberalisation is gathering momentum as the exposure of Korean companies to foreign financial markets makes the inconsistencies at home all the more glaring. In commercial companies and in government, a generation of mostly US-educated economists in their 30s and 40s is demanding a more open financial system.

These economists believe that even if Korea does not yet need freer financial markets, it soon will. This is because government control will become too complex in an increasingly sophisticated economy.

One sign of this sophistication is the rapid growth, encouraged by the government, of Korean capital markets. The growth of the stock market is particularly marked – there are now 400 listed companies, with another 100 expected this year.

The surge in growth in the 1980s has, in the eyes of reformists, created ideal conditions for change. First, Korea's export-boosted currency has become strong enough to allow the Government to internationalise the won with little risk of its collapse.

As in Japan, the Government has tried to divide and rule finance by defining narrowly the activities of each type of company. Nevertheless the pace of liberalisation is gathering momentum

Second, Koreans now save more of their income than they invest, so there is no longer a capital shortage and no need for the rationing of funds that there was in the 1970s.

However, reforms are likely to come gradually. Critics of the government say this is because officials are loath to give up control. But the obstacles that have to be overcome are serious.

The greatest of these is a fear that Korea's economic development still rests on a fairly vulnerable base. Officials point out that Korea, which needs exports to finance growth, has only had a current account surplus for three years.

In addition, the leading Korean banks are saddled with large bad loans made when the Government encouraged big capital schemes in the 1970s. The Government says a "substantial" though unspecified amount has already been written off and more write-offs will be permitted.

The banks also claim they need more freedom from government interference if they are to compete properly. Without strong banks, any attempt truly to free money markets will founder because banks would rapidly lose funds to more aggressive competitors.

Investing institutions – insurance companies and pension funds – are relatively small, too, because Koreans have only recently been putting large amounts into them.

The final obstacle is that there will be the inevitable battle over reconciling competing claims of different kinds of company – banks, brokers and the rest.

According to foreign bankers, the most pressing need is for the development of a money market. At present, the inter-bank market is so tightly controlled that it scarcely functions as a liquid market.

Central bank officials match borrowers and lenders at a short meeting held once a day, where rates are set largely by official decree.

The Government has promised autonomy to banks but still influences lending, for example by favouring loans to small and medium-sized companies.

The rigidity of this system has forced debtors and creditors elsewhere: to 30 or so short-term financial companies; to the six authorised merchant banks; and to the kerb market which is run from shops in arcades under city-centre hotels.

The differentials in interest rates are smaller than they were five years ago but still illustrate how inefficient the system is – banks' prime rate is 10-11.5 per cent and lenders in the kerb market about 24 per cent.

As a result, the non-bank institutions have grown rapidly: their assets have leapt from 25 per cent of the financial community's total in 1979, to an estimated 40 per cent plus last year. Nevertheless, growth might have been even higher had it not been for government control.

The Government has been flooding the market with artificially high-priced bonds, for example, in an effort to control money supply growth, and it has been insisting that companies buy this paper.

The Government has made some important reforms since 1980. For example, a two-tier bank rate system, under which favoured borrowers got cheap loans, has been abolished.

On the international front, foreigners have been allowed limited access to the stock market through seven investment trusts.

But there is no timetable for future developments. Mr Sakong Il, the Finance Minister, says: "I think a lot of things will be done in the next 12 months."

Dr Lee Duk-Hoon, a fellow at the Korea Development Institute, a government-related body, says: "Maybe in the early 1990s interest rates will be liberalised, but even then the government will continue to intervene."

Dr Lee suggests that Korea might follow the Japanese pattern: first, short-term rates will be liberalised; then government bond rates; followed by rates in the non-bank sector; then bank lending rates; and, finally, rates paid on savings deposits.

At the same time, the Government could gradually free the won (which is currently inconvertible). Dr Lee says that the government could start becoming more market-oriented in the periodic adjustments it makes to the won from this year.

As this happens, so controls on investment flows will be liberalised. Securities companies have recently been allowed to invest abroad and, from this summer, insurance companies will be permitted to do so.

The Government is committed in principle to opening the Korean stock market but afraid that foreign speculative funds might swamp Seoul.

Meanwhile, the nationalistic streak, which influences much of Korean thinking, makes prospects rather unclear for foreign companies in Korea.

Some 50 overseas banks have offices in Seoul. Many are highly profitable, but their importance has diminished greatly since Korea started recording current account surpluses.

Stefan Wagstyl

Stock market

Foreign pleas for access under review

THE BAN on foreign investors buying shares on the Korean stock market could be lifted by the end of next year. However, some restrictions on the scale and pace of overseas buying of Korean shares are likely to remain.

The Government is acutely aware of foreign demands for access to the Korean market, which has been rising at an accelerating pace over the past three years. In the 12 months to March 1988 alone, the Korean composite stock price index rose by 62 per cent, valuing the market at more than $40bn.

Foreigners are limited to buying units in funds with a total capital of $300m: two overseas-managed funds, the Korea Fund and the Korea European Fund, and five managed in Seoul. In addition, they can buy four convertible Eurobonds issued by Korean companies.

The size of the conversion premiums on these bonds – ranging from 60 per cent to 120 per cent above the underlying share value – shows how keen foreign investors are to put their money into the expanding Korean economy.

Stockbrokers in Seoul believe that change is in the air. Mr Ho Yang, managing director of Daishin Securities, the second largest Korean securities company, says foreigners could be admitted by mid-1989.

The Seoul office of Prudential-Bache Securities, the US company, expects foreigners to be admitted "within 10 months", but they could be restricted to buying perhaps 10 per cent or 15 per cent of a stock initially.

The Government drew up a timetable in 1981 which stated that foreigners would be allowed to invest in Korean securities "by the late 1980s".

The Government's preference is to move cautiously – given the current strong demand for shares from Korean buyers, supplemented by Koreans abroad, especially in Japan, who have been rushing to send their money home.

The last thing that many Koreans want is a rush of foreign buyers crowding out Korean investors. Mr Sakong Il, the Finance Minister, says that there are just 3.1m registered shareholders in Korea (out of a population of 42m) holding stock in 406 companies.

Korea needs to broaden the market by increasing both the number of companies and of investors, says Mr Sakong Il. By the end of 1988 there could be 500 listed companies and 5m shareholders. "As we experience more surpluses on the current account we will open the market gradually," he says.

Korean stockbrokers feel that the Government may soon be forced to move somewhat faster in order to attract funds for an ambitious privatisation programme.

Strong as the demand for stock has been, it has been matched, if not exceeded, in recent weeks by an increase in supply. Acting in response to government directives, industrial companies have been raising capital to repay bank loans to the undercapitalised Korean banks.

In addition, privately-held companies are being encouraged to go public. As a result, the market could see one trillion won in new issues and 3 trillion in rights issues in 1988 – double last year's total.

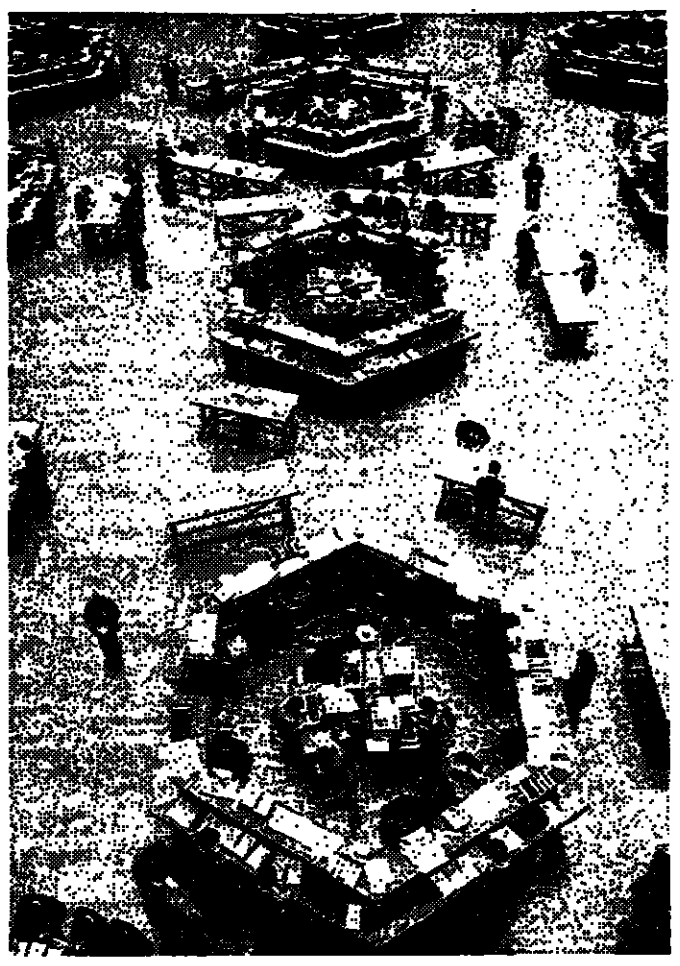
This includes the sale of shares in Pohang Iron and Steel (Posco), the national steel company. The Government is considering other flotations – including the privatisation of Korea Telegraph and Telephone, the telecommunications monopoly.

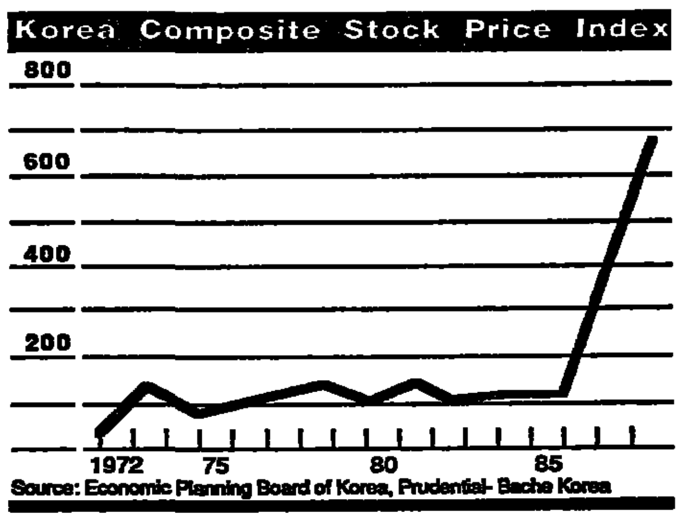
Stockbrokers expect some weakness in the market this year before a recovery in 1989. They point out that the rate of economic growth is expected to slow from 12 per cent last year to 8 per cent in 1988.

The appreciation of the won is squeezing exporters, cutting sharply the rate of increase in overseas sales. The speed of growth, coupled with high inflation, has prompted large wage demands. Strikes are on the increase.

Nevertheless, brokers in Seoul do not doubt the long-term potential of the stock market, which trades on an average multiple of earnings of about 12 – a fraction of Tokyo's. Korean brokers are expanding rapidly to cope with growth: Daishin has doubled its staff to 1,200 in the past three years and plans to double it again in the next three. All five big Korean brokers have offices in New York and London.

Stefan Wagstyl


The stock exchange floor in Seoul city



Source: Economic Planning Board of Korea, Prudential- Bache Korea

Rising labour costs, the currency's strength and protectionist sentiment lead to a change in strategy

Industry is forced to go up-market

KOREAN INDUSTRY, long one of the star performers of the booming Pacific Rim, is being caught in a pincer movement which is forcing a fundamental re-think by Government officials and the corporate planning departments of the country's giant corporations.

"This is a big crisis right now," says Mr B.M. Park, who is putting together a new medium-term corporate plan for Samsung's electronics division.

With Korea's electronics exports notching up 50 per cent growth last year to reach $11.2bn, and a further 16 per cent surge to $13bn predicted for this year, it looks like the sort of crisis most countries would pray for.

Yet Korea's planners are worried that three pressures – rising labour costs, the appreciating won and growing protectionist sentiments in the US and Europe – will force them to abandon the industrial strategy which has served them so well over the past two decades.

That strategy, put simply, has been to use the country's ample reserves of cheap and hard-working labour to produce goods more cheaply than anyone else. The technology embodied in those goods has invariably come from the developed countries, typically Japan and the US.

Cost pressures are beginning to cast a shadow over that strategy just when the developed countries, worried by the newly-industrialising countries of the Far East, are becoming chary about surrendering their technological secrets. "We are afraid that in the near future the advanced countries will be reluctant to provide technology to Korea," says Dr Sang-Bong Oh, director of the high tech industries division of the Korea Institute for Economics and Technology, a think-tank for the Ministry of Trade and Industry.

Any suggestion that even Korea's traditional industries are on the point of decline would be way off the mark. Even Korean shipbuilders, beset by a world-wide slump, talk confidently of an upturn by the end of the decade. Pohang Iron and Steel Co (Posco), generally regarded as the world's most efficient steel company, is busy adding capacity to its Kwangyang complex.

Textile exports cracked the $10bn barrier last year, ranking Korea third only to Italy and West Germany as a textile exporter. Exports of finished goods, fabrics and yarn all soared by more than 30 per cent.

However, Mr Park Young-Dae, textiles director general at the Ministry of Trade and Industry, warned recently of protectionist pressures from western markets and the emergence of China and other South East Asian countries as low-cost competitors. He proposed a four-part remedy: modernisation of production facilities; more up-market products with the goal of making Korea an international fashion centre; greater research and development in textile technology; and more joint ventures overseas.

Competition looms from China and other South East Asian countries for Korea, the world's third largest textile exporter this year

A national drive is planned to raise the percentage of GNP spent on research to 5 per cent

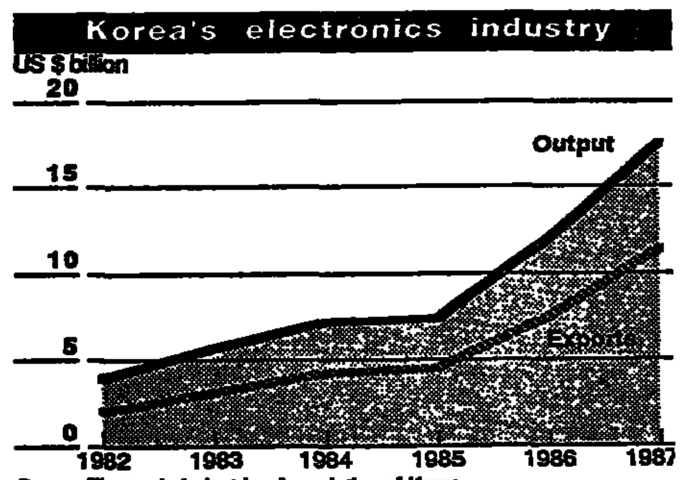
Korea's footwear industry too is diversifying from shoddy basic sports shoes, such as trainers and joggers, to better-designed shoes including more specialist gear such as spiked track, baseball, golf and boxing shoes.

Korea's car exports should soar 30 per cent this year to 700,000, according to Dr Duck-Soo Han, transport machinery director for the Ministry of Trade and Industry. But most of these exports go to the US and the industry realises that market will become saturated at some point. It is thinking hard about alternative outlets, with much interest being expressed in Japan.

In no sector is the strategy re-think more vital than in Korea's booming electronics industry, set to become the country's biggest exporter this year.

Korea's electronics, though highly successful, is also dangerously dependent on a handful of key products, produced in huge facilities like Samsung's Sowon and Goldstar's Pyongtaek plants, each churning out 4m video recorders a year. More than half of Samsung's electronics output, for instance, is accounted for by colour televisions, video recorders and microwave ovens.

Korea's penetration of some export markets must be approaching a ceiling: it will finish the year with 50 per cent of the world magnetic-tape market, 20 per cent of the VTR market and 12 per cent of the colour television market, according to one estimate.



Source: Electronic Industries Association of Korea

Industry planners believe the key response must be to move up-market, so that the value of Korean goods sold on world markets will continue to grow, even if the volumes begin to flatten out. This strategy, which would have the additional benefit of increasing the low profit margins habitual in Korean companies, revolves around four proposals:

● More research and development. The ideas powering Korea's industrial success have nearly always been foreign. Samsung's video recorder technology, for instance, came from JVC of Japan and its microwave oven technology from Matsushita.

The Government has embarked on a national drive to raise the percentage of GNP spent on research and development from 1.78 per cent now to 5 per cent by the end of the century.

The official line is echoed by the large companies which have been busy setting up their own R&D centres staffed with Korean engineers who underwent their Ph.D. training mainly in the US. There is an intense debate within Goldstar, the electronics wing of the Lucky-Goldstar conglomerate, about raising the proportion of sales spent on R&D from 5 to 7 per cent, according to Mr Jangho Chung, Goldstar's executive vice president.

● More brand names. Till now, much of Korea's export drive has taken the form of selling equipment to distributors in the west who put their own label on it. Inevitably, this cuts the profits flowing to Korean companies and reinforces their status as commodity manufacturers without expertise in marketing, after sales and so on.

However, the big conglomerates are now moving away from this approach. Samsung and Goldstar, for instance, using extensive advertising campaigns, are familiarising western consumers with their brand names. "Right now, we are selling very low levels of our products – even consumer electronics – under our own name," admits Samsung's Mr Park.

There are some exceptions to this trend. Most of the output of Daewoo's computer factory in Ichon, west of Seoul, for instance, is badged by Leading Edge, one of the most successful personal computers in the US. Mr Young Seung Song, the plant's deputy general manager, says Daewoo is happy with the arrangement because of Leading Edge's success, even though it gives the US company control of key decisions, such as whether to make a big push into Europe with the product.

● Improved products. The Korean companies are keen to move away from their reliance on the bottom end of the market, competing solely on price, not least because other Asian countries are queuing up to take that slot.

The drive into semiconductors, though at present concentrated on the commodity memory market, is intended to increase the country's technological competence. The conglomerates have been quick to produce their own versions of digital audio tape, the next generation audio product launched last year by the Japanese.

● Diversified products. More radically, the Korean industry is keen to lessen their overwhelming dependence on consumer electronics. "We are planning to shift our product portfolio to quite a different one," explains Samsung's Mr Park.

In practice, this means greater stress on industrial and office products, such as computers, printers and telecommunications equipment. Mr Park says Samsung would like these to account for about 30 per cent of the company's electronics sales within about four years, up from about 12 per cent now.

In addition to this new product and technology strategy, Korea is also groping for a new approach to the world's key markets. The common factor is a wariness of the US, but also to some extent of Europe: "We have to shift our exports from the US to other areas....We would like to export more to Europe, but they also have their industry there," says Mr Seo Sahyeon, electronics director in the Ministry of Trade and Industry.

Both Samsung and Goldstar are expressing greater caution about Europe. Samsung had hoped to drive its share of electronics goods going to Europe up from 23-25 per cent to about 30 per cent, but feels this may no longer be politically possible. However, Samsung says it has not ruled out building a new European plant, probably in France or West Germany, in a couple of years. Goldstar too is still considering a British plant, though the timetable seems to have slipped.

Attention seems to be shifting in two directions. First, there is renewed interest in selling to Japan. Starting at the low end and building up to more sophisticated products, Samsung hopes to increase its Japanese electronics sales from almost negligible levels now to about 5 per cent of turnover.

Second, there is increased emphasis on other developing countries, including in the Communist bloc. China is the jewel in the crown: the recently announced first Korean factory there, which will be making refrigerators, seems certain to be followed by a spate of electronics ventures.

Simultaneously, the Korean conglomerates are moving more of their low cost production offshore to countries like Thailand, Malaysia and Mexico, acknowledging the fact that Korea cannot count on being a low cost producer for much longer.

While the entire strategy makes eminent sense, there is one key doubt hanging over it. Since in almost all its particulars – from the launch into memory chips, the emphasis on office electronics and the movement of low end production offshore – it is an exact replica of the approach adopted by the Japanese, are the Koreans not condemning themselves to following in the footsteps of their bigger and richer neighbour to the east?

David Thomas

Semiconductors

The No 3 in memory chips eyes Europe

ASK OFFICIALS responsible for Korea's high-tech industries to name their most prized developments and one project appears on everyone's shortlist: the drive by Korea to become a leading semiconductor manufacturer.

Korea was third behind only Japan and the US in making the new generation of memory chips, one megabit DRAMs, and is aiming to produce the next generation of memory chips, four megabit DRAMs, by 1990.

Yet a decade ago, Korea had virtually no capability in semiconductors, the building blocks of the entire electronics industry from computers to video recorders. Its position has been transformed by sustained investment in chip research and manufacturing and by government encouragement to regard semiconductors as a strategic industry.

"Semiconductors are a key industry for the future and Korea has a strong electronics industry, so we saw the potential in semiconductors," explains Mr Suk Ryul Yoo, responsible for semiconductor planning at Samsung's headquarters.

The Korean electronics giants decided early on that concentrating on memory chips was the best way to build a rapid semiconductor presence. Large volumes and keen pricing are what matter for memories, the basic semiconductor workhorses for the data processing industry.

"In order to maintain our growth, there were really not many choices. With our limited marketing and design capability, memories were the natural choice," argues Dr Hee-Gook Lee, head of the semiconductor group at Goldstar's central research laboratory.

Prospects are rosier now, thanks to the worldwide memory shortage, after the US-Japan chip pact

Ample funds were available to underpin Korea's ambitions. Samsung, the country's biggest chip manufacturer, has invested about $800m in its semiconductor operations, a figure projected to rise steadily. It employs about 800 engineers at its semiconductor research and development centre in Korea and 100 engineers at a facility in California.

However, Korea launched its semiconductor initiative into choppy waters. Its build-up of investment coincided with the electronics slump of 1985-86 when even established chip manufacturers were haemorrhaging cash.

Some of the country's biggest companies began to lose their way during the order famine. Hyundai, widely seen as having failed to appreciate the capital and expertise needed for this sector, closed a plant in Santa Clara, California, though it is now firmly back in the business with a new plant in Ichon, west of Seoul.

Goldstar also made several false starts before reorganising its electronics activities last year.

Prospects are rosier now, however, thanks to the worldwide memory shortage, powered by the US-Japan chip pact and buoyant sales of personal computers. Goldstar says it has plenty of potential customers interested in the 256K and one megabit capacity it is building. "This year and next we do not see a limit as to what we can do," according to Goldstar's Dr Lee.

Samsung is expecting $600m sales this year, up from last year's $350m, and predicts sustained growth about 10 percentage points above that of the world market. About 70 per cent of the company's chip output has been going overseas.

Samsung's Mr Yoo foresees an increase in the proportion of chips being sold in Korea thanks to the growing strength of the country's personal computer business, but he also believes Samsung will benefit overseas from the fall-out from the US-Japan chip pact. The company reckons it will claim about 1.5 per cent of the US chip market this year, with 8-9 per cent of the US DRAM market.

While Korea undoubtedly has made dramatic progress in its chip operations, it remains unclear whether it will be able to close the yawning gap still separating it from the US and Japan, the two countries it relied on heavily for technology during its drive into the chip market.

How dependent the four megabit work is on overseas technology is too sensitive for officials to discuss

Samsung insists it designed its 256K by itself, but last year it had to pay Texas Instruments, the US chip maker, substantial sums for patent infringements. The issue of how dependent the four megabit work is on overseas technology is too sensitive for most Korean officials to discuss.

One of Korea's handicaps has been a lack of infrastructure – supplies of semiconductor materials and chip-making equipment such as wafers, photomasks, leadframes and bonding wires.

The Korean industry has concentrated on a relatively narrow range of products. About half Samsung's chip output falls outside the memory family, but they are mainly unsophisticated parts for Far East customers – such as watch and calculator chips. Moreover, Korean industry insiders accept that even their memory chips are available in more limited configurations than those of the Japanese and the Americans.

Manufacturers such as Samsung and Goldstar have some capability in Application Specific Integrated Circuits (ASICs), the semi-custom chips increasingly emphasised by advanced manufacturers in Japan, the US and Europe. But both acknowledge it will be some time before they sell many ASICs overseas, mainly because of the investment in marketing needed to underpin that sector of the business.

Yet the fact remains that Korea has been successful in reaching the goals it set when launching into chips, goals recalled by Samsung's Mr Yoo: "Our strategy at the time was to start with DRAMs, which we saw as a technology driver, and then to expand into other products."

Korean manufacturers have been steadily increasing their chip yields – a key determinant of productivity and price in the semiconductor business – to the point where Mr Yoo claims 256K yields on a par with Japan.

They are already planning a wider range of products, such as telecommunications chips, in a bid to diversify their markets, including into Europe where so far they have done relatively little business.

David Thomas

New cars are selling at the rate of 2,400 a day

A YEAR AGO, the motto in the lift at the headquarters of Hyundai Motor, South Korea's largest car manufacturer, read: "Sometimes the only thing to say is: Do it."

This year's motto strikes a different note. Staff are told that "A gentle word opens an iron gate."

The change in tone, though not yet borne out fully in substance, suggests that Hyundai may escape this year from the bitter strikes which hit almost all of its subsidiaries in 1987. However, negotiations over wages, which begin next month, are expected to be tough.

Strikes and problems with parts suppliers, also hit by labour disputes, reduced production by 40,000 units last year from a target of 650,000. But Hyundai nevertheless managed to record a 56 per cent increase in net profit to Won 60bn ($81m) on a 38 per cent increase in sales to Won 2,540bn.

Exports last year reached 408,000 units with 260,000 going to the US market. The company is on target this year for a total of 500,000 units for export, with 300,000 going to the US, although labour disputes may change the picture later in the year.

But the increasing wealth of South Koreans themselves, plus protectionist pressure and a diversification policy, are changing the company's likely future strategy. Hyundai forecasts a 25 per cent increase in sales on the domestic market this year and a similar rise next year, and plans to use its extra capacity, due to come on stream at the end of this year, to fulfill this demand.

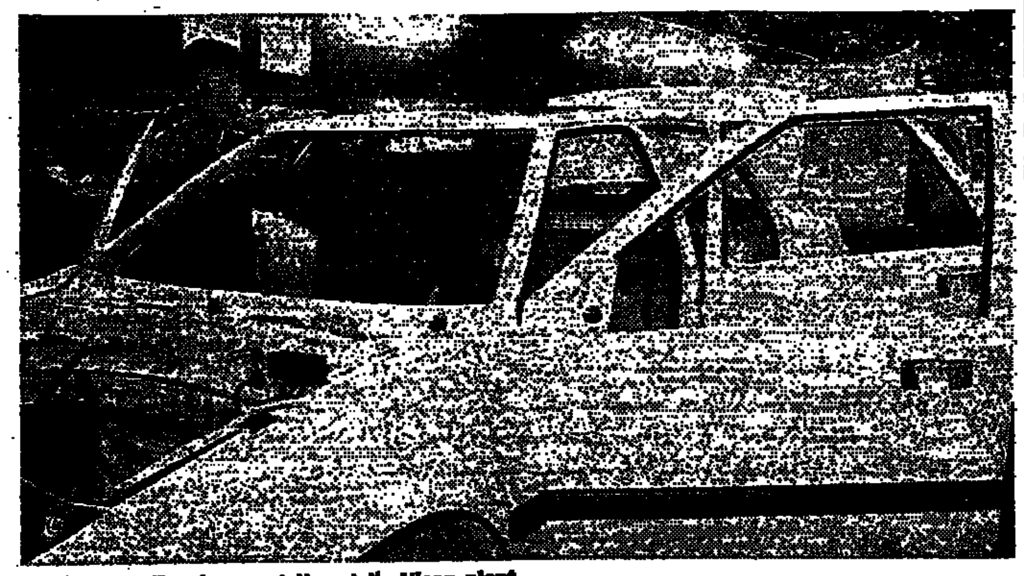
New cars are being bought in South Korea at the rate of 2,400 a day, clogging the roads and posing a dilemma for planners who had not anticipated such a rapid surge in the country's development.

Korea's yuppies are snapping up Hyundai's three-door sports model and the Le Mans racer produced by rival Daewoo Motor. At the end of next month a new Hyundai model, codenamed the Y2, is to be launched on the domestic market.

The total domestic market size is expected to show 50 per cent growth this year and 30 to 40 per cent next year, according to Dr D.S. Han at the Ministry of Trade and Industry. Of this year's total estimated South Korean production of 1.1m units, 700,000 are to be exported and 400,000 sold at home.

Hyundai says it can easily meet both local and export demand at present, although there is a short waiting list for its two-litre Grandeur model.

The surge in the domestic market will neatly dovetail with an expected slowdown in foreign sales due to protectionist pressures and the appreciation of the won.



Assembling Excel cars at Hyundai's Ulsan plant

Home sales surge

Hyundai expects its sales in the US to stabilise at about 300,000, about 2.7 per cent of the total US market, but is facing difficulties in both Europe and Canada, where it is building a plant.

The company successfully fought off an anti-dumping suit brought by General Motors and Ford in Canada, where a tribunal ruled that a 16 per cent dumping margin did exist on Hyundai imports but that it caused no injury to competitors. No duty was imposed.

The domestic market is expected to show 50 per cent growth this year and 30 to 40 per cent next

The two US companies are pursuing the matter through the Canadian Supreme Court, but the South Korean manufacturer's chief concern is that the suit may be a trial run for similar action in the US market. Sales in Canada have been reduced in the past year anyway, after a highly-successful start, owing to severe competition and pricing problems.

In Europe, Hyundai's exports have been affected by the removal of South Korea's benefits under the Generalised System of Preferences, in retaliation for Seoul's failure to give equal treatment to European and US companies on intellectual property rights. The subsequent imposition of a 10 per cent import duty combined with the won's appreciation of about 15 per cent has slowed sales.

Hyundai's subcompact models are still competitive but face far wider consumer choice in Europe than in the US. Exports to Japan are currently being studied with the cooperation of Mitsubishi, which holds a 15 per cent stake in Hyundai Motor.

Expansion plans are proceeding more quickly at Kia Motor, South Korea's newest producer, which started marketing its Pride model only last year. Ford of the US and Mazda of Japan both have stakes in Kia and last year the company exported a third of its production of 300,000 units under the name Festiva, mainly to the US.

But the domestic market offers the best opportunity for growth, according to Mr S. J. Han, senior managing director. A second plant is being built with a capacity of 150,000 units a year but product lines have not yet been decided.

As well as the Pride, Kia produces the larger Concord sedan along with vans and trucks. It plans to increase the volume of exports to the US this year and is discussing the possibility of exporting cars to Japan. But securing market share at home is a priority, to provide future economies of scale.

Kia increased sales from Won 642bn in 1986 to Won 1100bn last year, up 71 per cent, and increased net profits by 28 per cent to Won 25bn. The company has good labour relations and suffered only a brief closedown last year when suppliers went on strike.

More serious problems have hit Daewoo Motors, the second largest motor manufacturer, which suffered some of the worst labour unrest of all companies last year and is again being affected this year.

Alone among the carmakers last year it saw net earnings move from a Won 3.2bn profit in 1986 to a net loss of Won 5.3bn, although sales increased 122 per cent to Won 962bn. Export earnings rose from Won 6.4bn to Won 311bn as the Le Mans subcompact, produced in a 50-50 joint venture with General Motors, made its debut in the US market.

Daewoo may not be able to reach its target of 100,000 cars for export this year owing to a strike which by the middle of April had already reduced deliveries by 10,000.

The company has substantial interest expenses and a history of difficult labour relations which may reduce growth in the short term. But its cars are popular on the domestic market and it too is likely to benefit from increased demand if it can solve its labour problems.

The future of the country's motor industry continues to look bright, most analysts believe, with a wider product line likely to improve the industry's image of being only a cheap small carmaker. Slowed growth abroad is expected to be compensated by the rise in domestic demand, allowing time for greater sophistication to develop.

Maggie Ford

Aerospace

Goals beyond further work with Europe

THE RECENT launch by Korean Air of the prototype of an ultra-light aircraft, named Blue Sky, could open a new chapter in Korea's fledgling aerospace industry.

Aerospace is widely seen as ripe for spearheading the next stage of Korea's industrial development. Government and company planners are placing more emphasis on industries which are high both in technology and value added, yet at the same time are labour-intensive.

Korea's fledgling aerospace industry fits the bill precisely. "We are dreaming we will eventually be the equal of the industrialised countries. The aerospace business is one factor in becoming an industrialised country, because so many forms of science and technology are integrated in it," explains Mr Kyong-Kun Chi, senior executive managing director in Daewoo's aerospace division.

A more powerful aerospace industry, it is argued, would bring many industrial and technological spin-offs. It also appeals to a country as defence-conscious as Korea because it would reduce Korea's overwhelming dependence on foreign suppliers, notably from the US, for military equipment.

Indeed, Korea's aerospace industry until now has been little more than a sub-contractor for giant US companies such as Boeing, General Dynamics, Northrop, Pratt & Whitney, McDonnell Douglas and Sikorsky, often on contracts awarded *partly to offset aircraft orders* from Korea's armed forces.

The history of the Korean aerospace industry has been marked by intense competition between the big three companies which have been happy to plough their own furrow:

● Korean Air was the first into the business in 1976 when it won a licence from McDonnell Douglas to assemble helicopters for military use. It also assembles the F-5 fighter for Northrop, makes wings for Boeing 747s and has a large maintenance contract for US military aircraft. It is planning co-production of Sikorsky's UH-60 helicopters this year.

Korean Air's aerospace division, employing 1,600 people, has invested $180m to date. It is planning investments of $34m this year, followed by a further $65m by the mid-1990s. Turnover this year is projected to be Won 80bn, double last year's figure.

● Samsung's aerospace effort began in 1979 when it started overhauling engines for the US Air Force. Important contracts since then have included engine parts manufacture for both GM/Allison and Pratt & Whitney. In 1986, Samsung embarked on a $350m five-year investment programme in its aerospace facilities.

● Daewoo, which has so far invested $60m and is planning a further $100m investment, entered the busines in 1984 by making F-16 parts for General Dynamics. In 1986, it won a contract to supply wing parts for Boeing 747s.

Daewoo, Korean Air and Samsung all have ambitions far outstripping their present "subcontractor" status. All three are thinking of the day when aircraft designed and built in Korea will roll on to the tarmac for domestic use and for export.

They have the backing of their parent groups for heavy investments over the next few years, even though sustained profits are not expected for some time.

Korean Air has established the Korea Institute of Aeronautical Technology, staffed with 80 researchers including 16 PhDs. They produced the Blue Sky prototype and are working on a six-seater for commercial production as early as 1991, according to Mr J. K. Kim, a project planner in the company's aerospace division. A Stol (short take-off and landing) aircraft could follow in the mid-1990s.

Samsung has proposed an aerospace industry development plan to the Korean government which would mean the building of relatively simple aircraft such as subsonic trainers or small transport aircraft by the mid-1990s. Mr Chae-Su Kim, a former Korean Air Force general and now a managing director at Samsung, expects a government decision on the proposal this year.

However, the industry recognises it has a long way to go before it ranks on a world scale. Mr Chi at Daewoo defines the stages through which the Korean industry will have to pass as maintenance, assembly, co-production, co-development and independent development: he reckons Korea is passing from the stage of assembly into that of co-production.

Even if Korea succeeds in designing and making its own aircraft in the 1990s, the most complex parts such as engines may come initially from overseas. "The engine may be off the shelf," Mr Kim at Samsung acknowledges.

In the meantime, the industry has been diversifying its sub-contract base by winning business from European manufacturers: Daewoo, for instance, has made bomb pylons for British Aerospace's Hawk and is interested in working for BAe on the Airbus project. The big three all stress their desire for more joint work with the Europeans.

The most important decision facing the industry in the short term is the Korean government's choice of the next generation of aircraft for its air force, known as the F-X project. Samsung beat off heavy competition from its two rivals to become the prime contractor for F-X, but the industry is still awaiting a Government decision on whether the F-16 or F-18 should fill the slot.

Whichever plane wins out, however, Samsung looks set to hand substantial sub-contract work to Daewoo and Korean Air.

Korean manufacturers recognise that they will have to co-operate more among themselves if the dream of an independent Korean aerospace industry is to get off the ground, because aerospace demands R&D costs that are too large for even the largest conglomerate on its own.

This year saw the formation of the Association of Korean Aerospace Industries, bringing together about 30 Korean aerospace manufacturers in a bid to encourage more joint working.

David Thomas

Mr Chae-Su Kim, managing director of Samsung's aerospace R&D

Last year's wave of strikes has brought rises in real wages, but this year could be more settled

Labour relations may be at a turning point

INDUSTRIAL leaders in Korea have been holding their breath this year to see whether there is an upsurge of labour unrest to rival that experienced in 1987.

Throughout last summer, the world's television screens, many made in Korea, were filled with pictures of striking workers barricading the country's shipyards and factories. The disputes, many of them extremely bitter, coincided with and were instrumental in the emergence of a more open and democratic political regime.

The bald statistics register the scale of Korea's industrial relations earthquake. There were 3,700 disputes in the second half of the year, as against an annual average of about 100 between 1980 and 1985. Two-thirds of companies employing more than 1,000 workers experienced trouble. More than 1,500 new unions were formed after June.

Many workers won big pay increases in the wake of these stoppages and the outside world began to talk of the end of the era of cheap Korean labour. Other Far East economies, such as China and Thailand, began to take on that mantle.

Taking no chances, Korean manufacturers prepared early this year for a new round of disruption. Electronics makers doubled stocks of parts like condensers and resistors from a fortnight to 30 days. There were reports, too, of Daewoo motors stockpiling components. If accurate, then *the giant conglomerate* was farsighted, for its car plants and shipyard were duly closed last month by the most serious of the first round of this year's disputes.

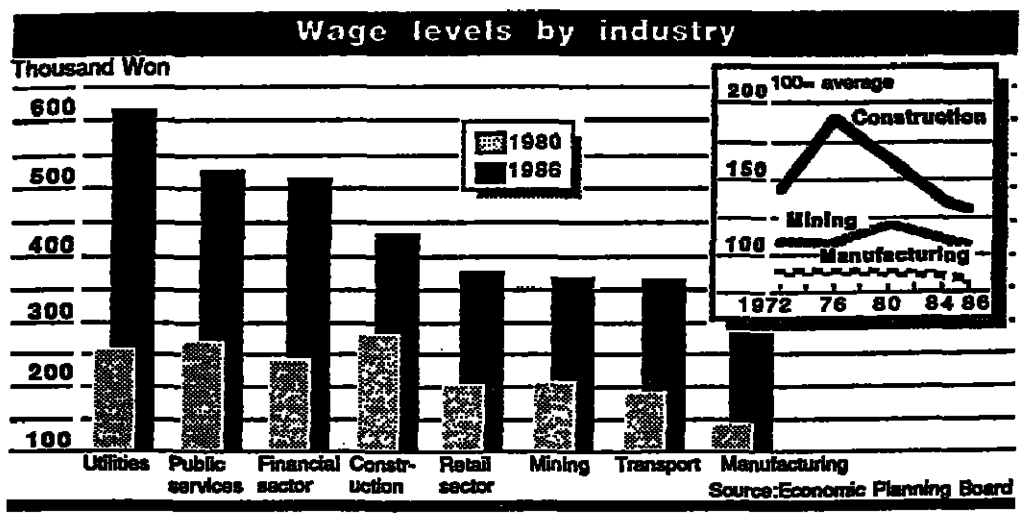
Nearly all this year's stoppages have been within the law

Observers differ sharply over whether to expect a quickening of the pace of strikes as the year progresses. But all are watching eagerly for signs of more settled and mature labour relations after the turmoil of 1987. Mr Seung-Boo Choi, director general of labour policy in the ministry of labour, asserts: "From this year *the country* will seek a *new* stage in its industrial relations. We are on the turning point towards a new industrialised and modernised social system."

A different pattern of disputes is emerging. In 1987, after years of strong labour discipline, many of the fiercest disputes were over *union recognition.* The workers won those battles, except in a few companies like Samsung which have set their face against independent unions through a mixture of tough management and paternalism.

The rules governing disputes were also significantly eased by legislation in November which slashed the cooling-off period before strikes could be legally called. As a result, nearly all this year's stoppages, unlike those in 1987, have been firmly within the law.

So, with many of the procedural problems out of the way, negotiations are now focusing squarely on the brute question of pay. The Federation of Korean Trade Unions began the wage round by proposing a guideline figure of 29 per cent, though most bargains are actually struck at plant and company level, where some workers have demanded up to 55 per cent. The employers responded with a figure of 7.5-8.5 per cent.



Source: Economic Planning Board

As these negotiations move towards their sometimes messy conclusion, there are signs that the three main interested parties, unions, management and government, are beginning to come to terms with their changed roles.

Although the most prolonged *stoppages have tended to be in* heavy industry such as the shipyards and car plants, unions organise large swathes of the Korean economy.

The manager of the Seoul branch of a British bank was nonplussed recently to see his entire Korean staff take to the streets for more pay. Insurance clerks, hotel workers, even pop stars, are in unions. Many of the massed ranks of young women who staff the country's giant consumer electronics plants have taken industrial action, albeit usually for shorter duration than their opposite numbers in the shipyards.

The trouble is that, emerging from years of near-illegality, union structures are not highly evolved in Korea. At plant level, where the real power rests in many industries, union leadership has often been highly unstable. The national federations and the nationwide Federation of Korean Trade Unions, by contrast, often have little contact with workers on the ground, who view them as an arm of management or the Government.


An oven microwave assembly line: the big companies plan more automation to boost productivity

Mr Harry Kamberis, an employee of the AFL-CIO, the US trade union centre, who advises the Korean unions, believes the structure will gradually settle down, with the national organisation gaining credibility. "We're going through a shake-down period. I expect to see a lot of the old union leaders leaving, because they have a close association with the employers or the government."

Perhaps most shocked by last year's labour unrest were the senior managers of the big industrial groups who had been unused to the slightest challenge in their empires.

Observers believe the top families of Korean industry have changed little: most would prefer to break a union than negotiate with it, if that were still a viable option. Lower down the management hierarchy, however, attitudes are changing, with professional management coming to terms with the novel need to negotiate.

One handicap is that most Korean companies, unlike their Japanese counterparts, have failed to evolve a positive model of management-worker relations. "The Korean company is an autocratic, family-run company, unlike the Japanese consensus model. So Korean workers do not generally pledge their lives to the company," comments Mr Kamberis.

The third interested party, the government, is trying to shed a past when its role in strikes was usually to wheel in the police on behalf of the companies. The minister of labour was careful to say in March that the administration would not interfere in disputes, provided they remained peaceful.

The officials of the labour ministry are busy looking for a new role to fill this vacuum. Some have been called into the shipyards to help train both sides in the mysteries of collective bargaining.

The key breakthrough will come when the ministry is accepted by both management and unions as a neutral body for conciliation and mediation, like many labour ministries in the west. "The most important thing concerning labour-management relations is to settle a dispute resolving system," says the ministry's Mr Choi.

Professor Park Young-Ki, director of the Institute for Labour and Management at Sogang University, and one of the country's leading experts on industrial relations, stresses that the absence of agreed rules for dispute resolution is a key weakness as the country moves towards a more mature system of industrial relations. Prof Park also argues that further changes are needed to the law, including further evolution of the law governing union recognition.

Few observers are rash enough to predict whether the country will remain bedevilled by disputes, though most appear to expect a gradual decline to a level which would be considered normal in other industrialised countries.

One thing appears certain, however. Labour's new-found strength is likely to bring wage settlements comfortably above inflation, which will, in turn, shape the investment and product strategies of the large conglomerates even in the more advanced sectors of Korean industry like electronics.

"The real wage level in the Korean electronics industry will go up. So the big companies are now seriously considering introducing factory automation or office automation to improve productivity," explains Dr Sang-Bong Oh, director of the high tech industries division of the Korea Institute for Economics and Technology, a think-tank for the Ministry of Trade and Industry.

David Thomas

Shipbuilding: now most of the companies are in the red


The Hyundai shipyards at Ulsan

No plans to cut capacity

KOREA'S TROUBLED shipbuilding industry is set for another stormy year with increased labour costs, diminished order books and a more expensive currency to contend with.

However, officials still talk confidently of an upturn by the end of the decade. Although order books are still bulging with backlogs, shipbuilders reported a slump in the first quarter of this year, with only 50 per cent of the orders obtained for the corresponding period last year.

Ships ordered a couple of years ago at lower prices will not help balance the books and prices have already risen this year.

A Korean *Shipbuilding Association* official said in a recent interview that a very large crude carrier which cost \$50m at the end of 1987 is now priced at \$51.5m. "And it's quite likely that will rise still further."

Although the workforce has been cut – to 52,000 at the end of 1987 from 73,000 in 1985 – it is a lot more expensive.

The industry was hit by crippling strikes in the autumn and again last month. A 21-day strike at Daewoo Shipbuilding and Heavy Machinery closed the shipyard for 11 days and ended in a 19 per cent rise in basic pay for its workers. Trouble is also brewing at Samsung and Hyundai.

Although most Korean shipbuilders are still deeply in the red (Daewoo lost Won 69.4bn last year, up from Won 44.6bn in 1986), 1987 was a relatively good year. Orders rose 27 per cent to 3.4m gross tonnes while the backlog rose 34 per cent to 5.8m gross tonnes. However most of the profit was eaten up in higher material costs.

The world fleet is about 20 years old and will need soon to be replaced. The question is: can the Korean industry hang on until then?

For the first time since the market began its nosedive 12 years ago, the European Community and Japan are moving towards an agreement to reduce capacity. Once this has been achieved, pressure will be put on Korea and Finland to do the same, according to a Seoul-based shipping analyst.

And on a recent visit to Seoul, Mr Pekka Laine, president of the Finnish shipbuilding giant Wartsila, estimated worldwide shipping tonnage at present at 12m tonnes. Yet worldwide capacity is between 12m and 17m tonnes.

"There will never be a demand for more than 15m tonnes, therefore there is undoubtedly excess capacity," he said.

At present, there is no indication that Korea intends to reduce its capacity. Last month the Government reprieved the ailing Korea Shipbuilding and Engineering Corporation by approving a 20-year moratorium on capital repayments and interest.

The KSA believes that three factors give the EC and Japan an edge over Korea. First, higher labour costs and the dearer won make their prices less competitive. Second, unlike the latter countries, they receive no state subsidy. Third, their financing is more expensive than that of Japan.

In Japan, interest rates are as low as 5 per cent, while in Korea shipbuilders are fortunate to secure a rate of 8 per cent and they have to pay it back within five years. South Korea also relies heavily on Japan for parts. About 80 per cent of imported parts come from Japan and the rising yen makes them very expensive for Korean shipbuilders.

As far as shipbuilders are concerned, the good thing about ships is that they are made of steel and steel rusts. The present world fleet is about 20 years old: soon it will need to be replaced. The question is whether the Korean industry, which commands a 19 per cent share of the world market, can hang on until then.

The KSA is convinced it can. "Our research shows that the market will recover and we will get more orders," the official says. "In two or three years, our prospects will improve."

Liz McGregor

Enthusiasm for self-advancement has created an 'exam hell' like Japan's

Pressures on education system

SCENE ONE: on a crisp spring morning last month, students at Sung Kyun Kwan University hurry from seminar to seminar, a stone's throw from the wooden structures of the Munymo shrine around which the university finally settled in Seoul in 1398. The institution's roots go back to a Confucian academy founded in AD 372.

Scene two: that same afternoon students from all over Seoul, some no doubt from Sung Kyun Kwan, gather for the annual commemoration of students killed by the police during a previous demonstration.

The event is low-key compared with the mass student unrest which shook the country last year, but honour is satisfied when the police are provoked enough to spray tear gas on the crowd.

These two scenes typify, in their small way, the central yet complex role which education has played in the transformation of Korea in 30 years from a peasant economy to an industrialised power. The Korean devotion to education has been at the heart of the country's ability to pull itself up by its bootstraps. Yet the education system has also been the echochamber around which the pressures accompanying Korea's modernisation have reverberated — often to breaking point.

On the one hand, the Koreans have shown a national enthusiasm for self-advancement through education of which they are justly proud. "Most of our national education system is not *compulsory*. But the eagerness for education by parents has promoted educational attainments up to the levels of advanced countries," explains Mr Yong Jin Park, Assistant Education Minister.

On the other hand, this orgy of educational fervour has prompted excesses similar to Japan's more familiar "exam hell." One Western teacher in Seoul complains of colleagues, desperate to squeeze their charges into elite universities like Seoul National, ringing up pupils at all hours of the night to check whether they are still studying.

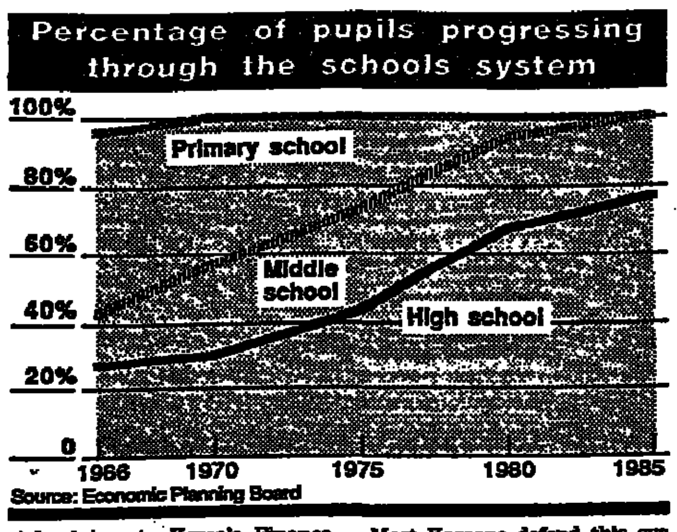
Immediately after liberation from the Japanese in 1945, the Koreans set out on a sustained expansion of their education system. Under the Japanese, only 30 per cent went to primary school, 5 per cent to secondary school and a tiny handful to further education.

By the end of the 1960s, the share of students entering middle school (ages 12-14) was approaching 60 per cent and by 1985 it was virtually universal.

Korea now boasts hundreds of higher education institutes and, on one estimate, half of Seoul's 10m inhabitants are either students or college graduates.

The country has had to cope not just with a huge expansion in the quantity of pupils going through its education machine, but also with a transformation in its content.

"We have moved away from the pure Confucian idea of study, to more practical, vocational topics," explains Dr Inchul Kim, who recently became an economics *professor* at Sung Kyun Kwan University, after serving as a special adviser to Korea's Finance Minister.



Source: Economic Planning Board

Vocational and technical high schools have been created and the country has established elite scientific institutions. These include the graduate school at the Korean Advanced Institute of Science and Technology, which aims to award about 4,000 PhDs by the turn of the century, and the undergraduate Korean Institute of Technology, part of the new Daedok science city.

The government is planning for 150,000 qualified scientific research staff by the year 2000, three times the present level.

The education system is unashamedly meritocratic and elitist, channelling the best talent towards the prestige institutions through the exam taken by all pupils graduating from high school.

Most Koreans defend this system for having supplied the personnel needed to power the country's astonishing growth. At the same time, the massive concentration on education has produced strains which the authorities will have to tackle in the years ahead.

One is a worry about the social effects of putting so much pressure on schoolchildren to succeed. So intense was the competition that the authorities outlawed private tutoring outside school hours in 1980.

Another concern is whether the stress put on examinations results in one-dimensional learning. English, by all accounts, is taught with the same lack of flair with which French used to be drummed into British children. The result is that few Koreans speak English.

Similarly, Dr Yong-Duck Jung, a social scientist at Sung Kyun Kwan University, says that his friends who have studied the natural sciences worry whether their education militates against high-level creative thinking.

A third problem is that education has expanded so rapidly that many facilities leave much to be desired. Many buildings, even in Seoul's better universities, look like run-down technical colleges.

A scientist with a PhD from Harvard complains she spends so much time teaching she has no chance for research. Pupil-teacher ratios are more than 40:1 in elementary schools and more than 50:1 in middle and high schools.

Mr Park at the Education Ministry is refreshingly open about the need for continuing improvements in the country's educational *infrastructure*. He stresses the goals of extending kindergarten education, improving pupil-teacher ratios, modernising poor facilities and boosting post-graduate training.

At present, most of the PhDs who staff the universities, ministries and the central planning departments of the big conglomerates have been educated in the US, with a sprinkling receiving their training in Western Europe.

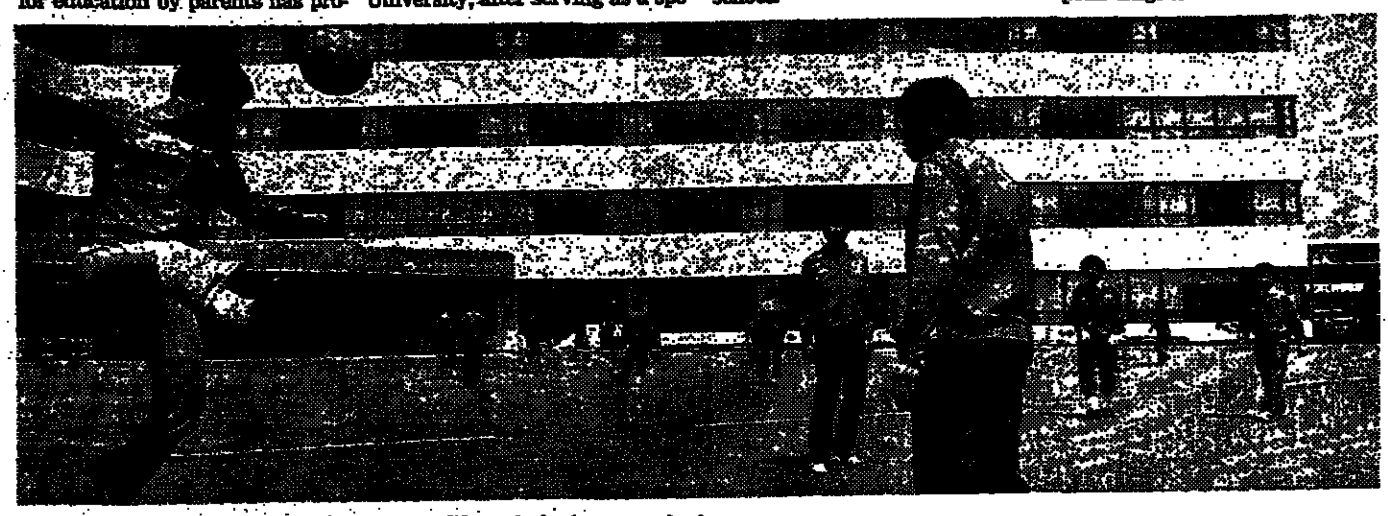
The Government forecasts education increasing its share of GNP from 3.4 per cent now to 4.7 per cent by 2001 as these improvements work through.

Yet amid all this good news the problem of the rioting students seems intractable. Most Koreans seem to view the phenomenon as having little to do with the education system itself, but rather as an inevitable part of the country's fitful progress towards democracy.

Mr Hae-Young Lee, chief supervisor of the universities in the Education Ministry, cites only one educational reason — the sometimes inadequate facilities — in an exhaustive explanation of the student discontent. The other reasons are mainly social or political.

Yet while the demonstrations no doubt have their roots in the wider society, the fact that university students are able to relax after the enormous pressure of high school seems to play a part. Only students interested in an academic career have to pay much attention to their university grades.

David Thomas


Half of Seoul's 10m inhabitants are either students or graduates


Im Kwon Taek: the Venice festival award recognises his talent

Film industry

Censorship easing

FOR THE film director Im Kwon Taek last year's Venice Film Festival was a landmark. When his film Ssibaji won the Best Actress Award, it signalled not only the first international recognition of his own talent but the start of what could be a dramatic change in his country's film industry.

Ssibaji, an historical drama about surrogate motherhood, addressed a modern problem in the West which also has ancient roots in South Korean society. As in most of Mr Im's films, the historical context was used to try to explore modern themes. And as always in Korea, Ssibaji had its problems in clearing the censor.

Its success in winning South Korea's first international film prize adds weight to the industry's demands for an end to censorship, demands which have become more strident since the country started moving towards democracy last year.

"Since last year's presidential election campaign, the rules have been changed so that scripts do not have to be submitted in advance to the Ministry of Culture and Information," Mr Im says. The Government has also promised to introduce a new more relaxed Bill on censorship to the National Assembly later this year, and to change the prior classification system to reflect international standards.

Censorship in South Korea is not limited to the usual prohibitions on violence and sex but is applied to films and literature covering a wide range of subjects, from social comment and security issues to the interests of powerful groups such as religious organisations or business leaders. Anti-government comment has not been permitted.

Few films have actually been banned because of the advance script approval rule; most directors have simply shied away from all but the most anodyne modern subjects because of the need to avoid giving offence.

The result has been that talented directors have been diverted into making light entertainment, restraining their creative talents until a more liberal attitude emerges.

During the rule of the late President Park Chung Hee in the 1970s, described by Mr Im as the "dark age of Korean cinema," the director devoted himself to making money. Now he expects a number of talented directors, cameramen and actors to emerge.

But for Korean film makers to take a serious step on to the international stage, changes may be needed in the film industry itself. Under Government regulations major business groups are not allowed to invest in the industry, resulting in a few very poorly-funded studios. Distribution rights must be sold in advance to raise funds to make a film.

Korea's cinemagoers have been fed for years on a diet of cheap US potboilers, high on sex and violence and low on artistic merit, leading distributors to feel that quality films will flop at the box office. Government funds devoted to film have been spent mainly on propaganda newsreels and cultural films.

With the growth of South Korea's well-educated middle class, who queued in thousands last year to see Out of Africa at Seoul cinemas, signs are emerging that better films may be on the way, raising the level of public taste and making it easier for directors like Mr Im to convince distributors to back his ideas.

In recognition of his international success, Mr Im was asked to make a film to commemorate the Olympic Games, to be held in Seoul in September. He plans to concentrate on the human rights aspect.

"It is excellent that so many nations will be taking part but terrible that we still face so many problems — confrontation on ideology and race, famine and war," he says. "I want to say that we are all human beings and that human life is the most important thing of all."

Mr Im's festival prize could not have come at a better time for the Korean film industry, since it boosts self-confidence and pride while adding weight to demands for reform. Step by step its advance into the international limelight now seems unlikely to be checked.

Maggie Ford

A short guide to the capital for the Olympics visitor

In case you're not taking a chauffeur...

A NET veil droops coyly from her white felt hat, her flared wool coat almost meets glossy stiletto shoes. Her male companion wears a tailored suit, a Burberry coat slung over his arm.

The pair could be strolling in Paris, rather than the middle-class Seoul suburb of Kangnam, but they do not look out of place. For affluence, brought on by years of phenomenal economic growth, has replaced the piles of rubble that were Seoul's main feature immediately after the Korean war 35 years ago.

The year it hosts the Olympics, the city remains a vibrant mix of past and present, with steel skyscrapers sitting astride narrow alleyways where vendors sell dried squid and noodles, traditional dress mixing with the latest fashion and computers competing against the abacus at the bank teller's counter.

But although Seoul retains more individuality than many Asian cities, it also bears the legacy of years of authoritarian rule, when planning responded less to the needs of the inhabitants than to the wishes of the incumbent government.

The result is a city where demand has outstripped services and sheer numbers have overtaken the system, producing a capital which is often baffling to visitors and residents alike. Tourists should always remember when coming to Seoul that things may not be what they seem.

The first curious sign will appear at the airport where, after the usual time-consuming immigration procedures, the traveller is confronted with a customs hall dividing passengers into "foreigners" and "Koreans." Do not feel unwelcome – this is designed to speed your progress.

The visitor is not expected to undergo the comprehensive search each local is subjected to, in case he might be smuggling in a gold necklace or a Korean-made video camera bought for half the local price abroad.

En route to the hotel the visitor passes rows of enormous apartment buildings, numbered on the side and resembling post-war European public housing on the outskirts of most cities. Refrain from criticising the architecture, for this is probably where your Korean business associate lives, at a minimum cost of around $60,000 for three bedrooms, but with twice as much space at half the cost of his Japanese counterpart's home.

A further 2.2m of these units are needed according to officials, because spending on infrastructure has concentrated on major industrial works, highways and dams, leaving a 41 per cent shortfall in housing capacity. Of the 68,000 being built this year, 19,000 will be funded by the Seoul city government and the rest by the private sector.

The first cycling event of this year's Olympic Games is on Sunday, September 18, while athletics enthusiasts will have to wait until September 23 to follow their favourite runners. But sales of T-shirts are already under way

The trip from the airport clearly reveals the traffic problem. If travelling in a taxi, the visitor will also have noted the potential accident danger but will no doubt be pleased that Seoul offers perhaps the cheapest airport-to-town ride in the world at around $5.

The taxi driver has good reason for his tendency to speed, and so have the men in charge of piloting the city's 1,137 buses. The taxi driver is keen to clock up another fare, for he must pay a large sum to the owner of the cab before he starts to earn his own salary. The bus driver is fined if he is late back from his route, traffic jams or not. So it is not usually wise to challenge the bus driver's right of way.

It is also probably sensible not to get on a bus, although they are cheap and quick. But poor maintenance and the need for speed can sometimes cause accidents, and the journey will not be pleasant.

Subways, however, are part of the modern age. Four lines cover 115 km and trains run every six minutes, increasing to four minutes during the Olympics. The trains are quick, clean, well-signposted and cheap and can be recommended.

It is only when you try to leave your comfortable, well-organised hotel with its usually excellent service, communications, rooms and restaurants that the full enormity of the planners' decisions begins to penetrate.

□ First, if you intend to take a walk, you will discover that your map bears little relationship to the streets.

□ Second, the pedestrian is normally expected to walk underground, and there are few directions.

□ Third, South Korea has inherited the Japanese address system, so nobody knows where anybody lives because there are no street names.

□ Fourth, even if your host draws you a map for your destination, neither the hotel doorman nor the taxi driver will be able to understand it.

□ Fifth, until very recently none of this mattered because anyone of any importance had a chauffeur-driven car, so nothing has yet been done to improve the system.

The streets of South Korea, like the country itself, are in a state of transition.

Patience, however, is often rewarded, especially if accompanied by good humour, for everyone is in the same boat. If lost, try to find a taxi and ask the driver to take you to a hotel you know. It helps to be standing on the correct side of the road.

Perhaps the one piece of planning generally approved by all Seoulites is the revitalisation of the Han River, which divides the city as the Thames does London.

At a cost of $500m the river has been transformed from a sewage and industrial waste dump, its banks littered with dead fish, into a clean river, with the beginnings of a riverside recreation area. Sports facilities are being developed on reclaimed land and when landscaping is completed the city will have created a major resource for its citizens' daytime enjoyment.

Night-time enjoyment has never been a problem. But always remember, things may not be what they seem. A barber's shop? Perhaps not. A neon sign advertising British Gas? Surely not in South Korea. For those keenly interested in night life, the tourist area of Itaewon, near the US military base, is probably the best bet, unless a Korean host is arranging a night out.

During the day in Itaewon, travellers can at present find the Gucci and Cartier look-alikes so annoying to the European Commission, along with antiques, clothes and jewellery. At night the area resembles any other Asian city's night life area, albeit of a more staid nature.

Visitors to the Olympic Games in September may well be spared many of the city's problems. Conveniently, the Games fall at the same time as the annual Thanksgiving holiday, when the population of Seoul departs for the countryside *en masse* to see the family. Those still around will be allowed to drive only on alternate days and office hours are to be staggered to improve the rush hour crush.

The business visitor may, however, find Seoul both a better and a worse place to visit over the next few years. The traffic will be worse, but the general atmosphere is likely to be better. Riot police may still dot the streets, but teargas is less likely to be a problem. And for those in search of familiarity, the Big Mac has now come to Seoul – but you will have to travel to Kangnam to find one.

Liz McGregor

Seoul former mayor's comedy of errors

SIGHS OF relief among Seoul residents have followed the arrest of former Mayor Mr Yum Bo Hyun, on bribery charges. But hopes of a new era in South Korea's premier city are not only based on an end to corruption also on the introduction of good sense, writes Maggie Ford.

Mayor Yum will be remembered not so much for allegedly buying thousands of unsuitable trees from the former President's father-in-law, nor for supposedly providing a private park for the country's retired leader out of city funds.

The relief focuses more on what is seen as his stupidity – or perhaps that of his officials. Last year thousands of outraged city dwellers jammed telephone lines for days in protest at a plan to shut off the water supply to half the city for three days in midsummer so as to repair pipes.

This idea was nipped in the bud, as was a city council plan to close a tunnel under the Namsan mountain in central Seoul for nine months for repairs, with the prospect of traffic jams until nearly midnight.

Mayor Yum's silliest idea was revealed only recently. A huge tiger, an animal revered in Korea, was constructed with a view to mounting it upon a pleasure boat and sailing it up and down the Han River. Last month the unwanted animal was towed to the suburbs to be deposited in a fun park after public protests at the idea.